

MONDAY JANUARY 12, 1998
Broncos Top
The Steelers
By 2-1

Philip Morris
Enter the Super Bowl

The World's Daily Newspaper

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

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INTERNATIONAL



STAFF
TODAY:
Milan Menswear Page 11

London, Tuesday, January 13, 1998

No. 35,727

U.S. Reacts Quickly to Threat by Saddam

**Any Ban on Inspectors
Is a 'Clear and Serious
Violation,' Clinton Says**

By Brian Knowlton
International Herald Tribune

WASHINGTON — Reacting quickly to a new challenge from Iraq, President Bill Clinton said Monday that its threat to bar an American-led inspection team, if carried out Tuesday, would be a "clear and serious violation" of United Nations requirements.

Nizar Hamdoon, the chief Iraqi delegate to the United Nations, said in New York that the team headed by Scott Ritter had "too many U.S. nationals" — 9 of the 16 team members — and would not be allowed to work until it was "recomposed to ensure balance."

Other inspection teams were not affected.

Mr. Clinton said that "the United States had nothing whatever to do with selecting this team."

The inspectors, he said, were chosen for their expertise by the UN Special Commission, which has responsibility for inspecting for weapons of mass destruction in Iraq.

James Rubin, the State Department spokesman, said earlier that American officials were awaiting a full report from UN officials in Iraq, and that no inspections were barred Monday.

Should inspections by Mr. Ritter's team be barred Tuesday, however, Iraq "would be flouting UN resolutions" that call for Iraq to give UN inspectors "full and unfettered access to all sites," Mr. Rubin said.

A U.S. National Security Council official said separately that the Clinton administration would take the matter up with the UN Security Council before pursuing other action.

The United States has repeatedly said that it will not rule out punitive military strikes against Iraq, and a spokesman for Mr. Clinton said Monday that the United States maintained a "very significant force" in the region.

Mr. Hamdoon said there had been no decision to expel Mr. Ritter or any other American, leaving the new confrontation a notch below the drama of November, after President Saddam Hussein ordered all American inspectors to leave on the grounds they were spies.

But the refusal to allow Mr. Ritter's team to carry out its UN-mandated work demonstrated that a Russian-brokered solution to the earlier crisis had not brought a final end to the dispute, and that the United States again faces thorny choices.

Iraq appears determined to test U.S. resolve to the maximum, knowing that three of the UN Security Council's five permanent members — China, France and Russia — steadfastly oppose the use of force. Britain has sided with the United States.

There was no immediate word Monday whether the council, this month under French chairmanship, might meet to discuss the issue.

The UN secretary-general, Kofi Annan, sought Monday to cool the latest tensions. He called on Iraq to avoid any "premature" action and described the new Iraqi stance as merely "the first hiccup" encountered since the earlier crisis was resolved.

Other UN inspection teams will continue their work, Mr. Annan said.

The secretary-general was to meet Monday at the UN with Richard Butler, the chief UN weapons inspector, to discuss the situation. Mr. Butler was scheduled to return to Iraq next Monday. "I

See IRAQ, Page 6

U.S. Offers Baltic Nations Long-Term Help on NATO

By Steven Erlanger
New York Times Service

WASHINGTON — The United States and Estonia, Latvia and Lithuania will sign a formal charter Friday that explicitly supports efforts by the three Baltic countries to become members of NATO, according to U.S. officials.

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Residents of a village in Algeria weeping Monday for relatives killed in a massacre over the weekend.

In Algeria, the Horror Mounts

France and Other Nations Resist Pressure to Intervene

By Anne Swardson
Washington Post Service

PARIS — The slaughter in Algeria continues unabated as more than 100 people were killed in a small village south of Algiers, according to witnesses interviewed on French television and press reports Monday.

As always, the killers were said to be Islamic militants. Since the holy month of Ramadan began Dec. 30, more than 1,000 civilians have been killed. In almost seven years of Islamic insurgency, more than 65,000 people are said to have died.

Unlike some of the previous massacres, this one was acknowledged by the Algerian security forces in nearly the same numbers as reported in Algerian newspapers and on French television. The official press agency APS

said 103 people had been killed and 70 wounded. Other reports indicated that more than 120 people had died.

An envoy from the Arab League arrived in Algiers on Monday to carry a message of "solidarity" to President Liamine Zeroual, and Canada is sending a senior diplomat shortly. The European Union plans a preliminary mission within the next two weeks, but has not established how far it wants to go or the extent to which the Algerian government will cooperate.

As always, details of the killers and the circumstances were sketchy. Many people were killed when a bomb exploded inside a room where a large group was watching a video. As survivors emerged into the open air, they were hacked to death with spades and axes by assailants waiting outside. Others were shot or had their throats

cut. As usual, women and children were among the victims.

A dispatch from the village, Sidi Hamed, by Agence France-Presse said pools of blood had formed in the streets. Homes were gunned, and the walls of some of the huts were splattered with flesh and bone. A few members of the village's self-defense group, armed with weapons distributed by the government, attempted to hold off the attackers, to no avail.

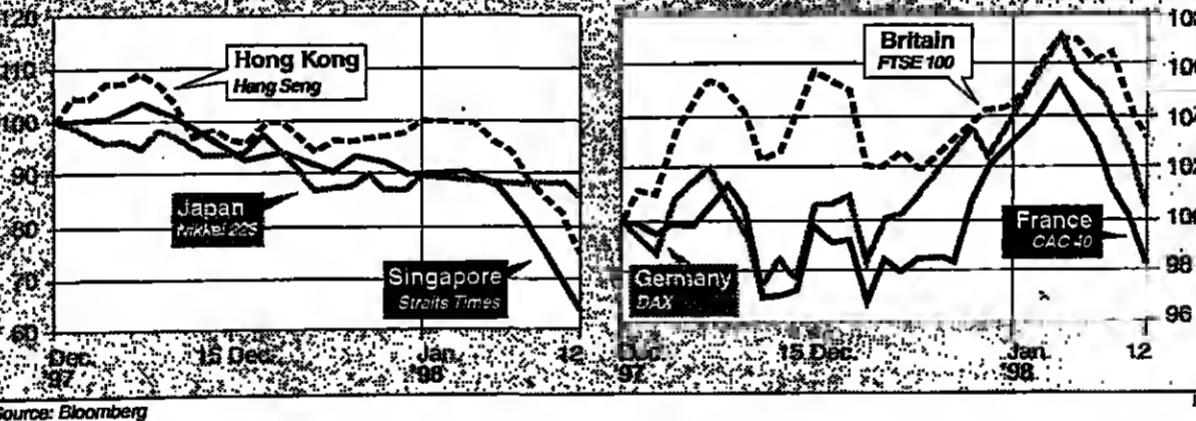
"They attacked several places at the same time, and we could hear screams and shooting," an older woman said in an interview with Agence France-Presse. "Look, on the other side of the road, you can see where they shot people and cut their throats."

Others were killed in the village of

See ALGERIA, Page 6

Chill Winds From Asia

Performance of changing exchange rates between Dec. 1, 1997, and Jan. 12, 1998



Source: Bloomberg

Suharto Vows to Step Up Economic Reform, IMF Says

By Michael Richardson
International Herald Tribune

SINGAPORE — President Suharto of Indonesia, under mounting international and domestic pressure to put into effect painful austerity measures or resign, agreed Monday to strengthen and accelerate the country's reform program, the International Monetary Fund said.

Mr. Suharto is to announce a series of steps Thursday that U.S. officials said would prove he is committed to the reforms mandated as part of the bailout engineered by the IMF.

The reforms are intended to revive investor confidence in the world's fourth-most-populous nation and end a financial crisis that is shaking global markets.

Stanley Fischer, the IMF's first deputy managing director, said Mr. Suharto had assured him during a 90-minute meeting that he supported the program.

"The president was very, very clear in his desire to stay with the program and to strengthen it and to accelerate it," Mr. Fischer said. "There was no ambiguity in what he said."

Diplomats and analysts said that if that assurance were translated into action, it could be an important step toward re-establishing stability in Indonesia and putting in place a debt-management program similar to one that promises to hasten recovery in South Korea. The main stock index in Jakarta rose 2 percent.

The U.S. deputy Treasury secretary, Lawrence Summers, who arrived in Jakarta on Monday, is to meet Mr. Suharto on Tuesday to add weight to in-

ternational demands for Indonesia to carry out reforms agreed in October in exchange for \$43 billion in emergency loans.

[Mr. Summers said he would "urge that sound policies be taken that promote confidence and stability" when he meets with Mr. Suharto, Bloomberg News reported.

[He also outlined areas where he said Indonesia had fallen short of meeting the requirements for access to the aid package — including governance, the banking system, and monetary and fiscal policies — in talks Monday with Finance Minister Marie Mohammed and the governor of the central bank, Sudrajat Jiwandono.]

Defense Secretary William Cohen will arrive in

See SUHARTO, Page 10

See PEREGRINE, Page 10

AGENDA

Britain and Ireland Propose Ulster Pact

Britain and Ireland unveiled Monday far-reaching proposals for ending years of strife in Northern Ireland.

They proposed a new intergovernmental pact, an elected Northern Ireland assembly and an all-Ireland ministerial council.

The proposals also envisage changes to the Irish republic's con-

stitutional claims over Northern Ireland and to the legislation by which London rules the province.

"It is a road map to agreement," the Irish foreign minister, David Andrews, said after the proposals received a cautious welcome from the main Protestant and Catholic political parties. Page 7.

Super Bowl Matches Packers vs. Broncos

The Green Bay Packers advanced to their second straight Super Bowl with a 23-10 victory over the 49ers in San Francisco. They will face the Denver Broncos, 24-21 winners over the Steelers in Pittsburgh, in San Diego on Jan. 25. Page 18.

Books Page 6
Crossword Page 11
Opinion Pages 8-9
Sports Pages 18-19

The IHT on-line www.iht.com

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Las Vegas Casinos Stake Out the High Rollers

By Brett Pulley
New York Times Service

LAS VEGAS — It was past midnight at the Mirage Casino and Resort, and the actor Bruce Willis was sitting at a blackjack table, an unlit cigar between his teeth, drinking watermelon juice made especially for him and wagering more than \$200,000 an hour. With \$8,000 riding on one hand, Mr. Willis was dealt an ace and a 10. He slapped the winning cards down on the felt table. "Look what I got," he bragged.

Relishing a lucky streak and a stack of more than \$50,000 in winnings in front of him, Mr. Willis looked over at a group of friends at another reserved blackjack table, drinking complimentary champagne and betting thousands of dollars each hand.

Celebrating his good fortune, the movie star thrust his arms above his head, like a referee signaling a touch-down.

"Fran, give me a kiss," Mr. Willis said to his dealer, a friendly woman in

her 40s who blushed and obliged, blowing a kiss.

With the competition for wealthy, high-stakes gamblers increasing, casino operators like nothing better than to see some of their top customers, like Mr. Willis, the basketball star Dennis Rodman and the Australian media mogul Kerry Packer, wagering huge sums of money and having a good time doing it.

These men are members of an elite, a growing group of the highest of high rollers who once belonged exclusively to a handful of casinos but who are now being heavily recruited by casinos across the United States and around the world.

Although the spread of casinos has made gambling more accessible to average Americans and prompted companies to expand their use of slot machines, their buffet dinners and their theme-park-style attractions to lure middle-income customers, casinos are nevertheless spending more time and

See VEGAS, Page 10

The document, called the Charter of Partnership, does not promise them membership — a commitment that Washington could not make on its own in any case. Instead, it is a formal statement of common interests and common goals that future U.S. administrations will find difficult to dilute.

Without pledging the United States to the defense of the Baltic countries, the charter embodies a moral and political commitment to the independence, sovereignty and territorial integrity of the three tiny lands, whose quest for independence sped the disintegration of the Soviet Union.

President Bill Clinton will be joined at a White House signing ceremony by Presidents Lennart Meri of Estonia, Guntis Ulmanis of Latvia and Algirdas Brazauskas of Lithuania.

For the Clinton administration, this public display of commitment will be the most formal demonstration to date of America's plans for Europe's future.

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Books Page 6
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The IHT on-line www.iht.com

Priority on Work / When It's Time for Lunch, Bag It

In Paris, Takeout Is the Order of the Day

By Anne Swardson
Washington Post Service

NEUILLY-SUR-SEINE, France — It's lunchtime in this close-in Paris suburb packed with office buildings, and lines at many takeout places are bulging out the door.

At Le Crier, a tiny bakery-cum-deli, six women crammed behind a small counter dish out smoked-salmon sandwiches, hot roast chicken plates and slices of quiche. Customers in suits or high heels grab their plastic bags and head back to the office for a bite.

"There's no time for a long lunch," said a consultant, Christophe Gontard, bag in hand. Lunch at the office "lets us work more."

Lunches at restaurants take too long and cost too much money, said his colleague, Armand Descamps. Besides, he added with a laugh, "The waiters are rude."

Twenty years ago, the traditional French meal was under siege, it seemed at the time, by American-style fast food. McDonald's outlets sprang up everywhere and were filled with young people. But in the last five years or so, eating in France has undergone another revolution.

Takeout has taken over. Paris is filled with places to buy meals or sandwiches that can be taken back to home or office. Gas stations along the highway have added cases of sandwiches for sale, as have movie theaters and bookstores. Butchers, bakeries and delicatessens have begun selling meals for those on the move. In the land of the two-hour lunch it is a significant concession to the modern world.

"The French work more and more and they spend less and less time at the table," said Bernard Bouboul, president of the consulting firm Gira Conseil. "Someone who has one and a half hours for lunch eats lunch in 22 minutes and does errands for the rest of the time."

In France, where styles of eating reflect styles of living, lunch time was the big meal of the day earlier in the century. Walking past ground-floor apartments at 1 P.M. 20 or more years ago, it was impossible not to hear the clinking of silverware on plates. Fathers came home from work, and children came home from school, to a hot meal that *Maman* had spent the morning preparing.

TODAY, children eat at school more and more and both parents are often at work. Takeout is another way in which France, which has adhered to its cultural traditions longer than many countries in Europe, is becoming like the rest of the developed world.

Even now, takeout food is principally confined to large cities and to younger eaters. As recently as five years ago, according to surveys, 60 percent of



Norbert Saurat delivering lunch to offices near his bakery, Le Crier.

French citizens still ate lunch at home. Claude Fischler, a sociologist at the National Center for Scientific Research, said he doubted that eating in France ever would become as casual as it is in the United States.

"For Americans, eating is not a self-contained activity," Mr. Fischler said. "You can eat and do anything else at the same time. Eating is more socially codified in France. Nourishment is still an activity in itself."

But the rise in the number of working women has made the transmission of cooking know-how from mother to child less common and has reduced the amount of time available for cooking. Restaurant meals are expensive, particularly in Paris. Frozen food is widely available, but takes time to cook.

Jean-Paul Bucher had working women in mind—women do nearly all the cooking in French homes—when he created Fl Prestige, a sort of glorified

deli where shoppers can buy whole meals. Reheatable versions of rabbit with mustard sauce (\$8), fillet with pepper sauce (\$15.30) or fried bass with fruit are among the daily specials. The number of Fl outlets has grown from one in 1980 to 10 today, and more are planned. They are open on Sunday, which is unusual for French food enterprises other than restaurants.

"People now zap their food the way they zap their television channels," Mr. Bucher said. "Before, you didn't eat at your desk, you didn't eat standing up. You went to a restaurant and sat down for two hours. It was normal even 10 years ago. Now it's almost unbearable."

Lifestyle has played a part in winning over the French to takeout, but so has price. What is referred to here as *la crise*—nearly a decade of rising unemployment and slow growth—has made workers and nonworkers alike conscious of cost.

They frequent restaurants less. According to Gira Conseil estimates, business is down 10 percent for restaurants of all types in the last three years. Even sales of American-style fast food, which grew steadily since it was introduced two decades ago, have flattened.

MCDONALD'S, which says its sales are still growing, finds the French enthusiastic about drive-throughs. Some 314 of the hamburger chain's 630 outlets in France have added drive-throughs, a spokeswoman said, although French customers are less likely than Americans to consume the food in their cars and are more likely to take it home.

The Gira Conseil consultants found that the French are eating away from home more than ever—for half of all meals, up from 18 percent in 1975. They eat a large proportion of their lunches at company cafeterias. And they eat a lot of takeout, though not necessarily at their desks. Many corporations have cafeterias where employees can consume takeout or bag lunches.

Barbara Saurat, who runs Le Crier with her husband, said the bakery began selling takeout meals because customers asked for them.

"In the last four or five years, company budgets have shrunk," she said. "When people in the offices around here want to meet over lunch, they order in sandwiches instead of going to a restaurant."

Le Crier produces as many as 180 takeout meals at lunch, some delivered to offices and many others handed in bags to people who refuse to wait in line more than 10 minutes.

"You have to go very fast because the customer is impatient," Mrs. Saurat said. "It used to be lunch, but now it's the evening meal that counts the most. I do it, too. I'm here working for lunch."

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ASIA/PACIFIC

A New Gandhi Seeks to Find Her Footing on India's Roiling Political Stage

By Stephen Kinzer
New York Times Service

SRIPERUMBUDUR, India — In a move that her supporters hope will shape Indian politics for years to come, Sonia Gandhi, the widow of one assassinated prime minister and the daughter-in-law of another, has made an emotional entry into public life.

"The time has come when I feel compelled to put aside my personal feelings and step forward," the Italian-born Mrs. Gandhi told tens of thousands of jubilant supporters at a rally Sunday in this southern town where her husband was killed by a suicide bomber in 1991.

"My devotion to our country and her people is unwavering and absolute."

Although she did not say that she would seek office herself, the crowd responded to her speech with cries of "Prime Minister Sonia!"

Mrs. Gandhi's decision to join the political fray upset all calculations about the outcome of the national election that is to be held in four successive weekends in February and March. It electrified the long-dominant Congress (I) Party, which her family has run for more than half a century but which has recently suffered humiliating defections and other setbacks.

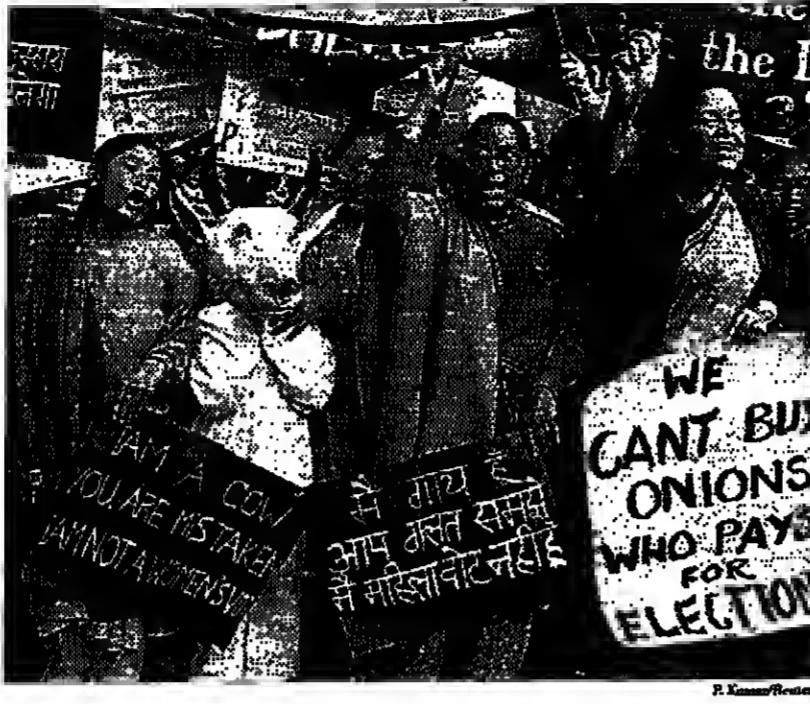
The speech was also a statement by the Gandhi family that it is determined not to fade from the forefront of politics.

There was widespread speculation not only that Mrs. Gandhi would seek the prime minister's job, but also that her daughter, Priyanka, who sat beside her as she spoke, and perhaps her son, Rahul, might run for Parliament.

The Gandhis have been one of the 20th century's most resilient political



Mrs. Gandhi, above, at Srirangam.



Mrs. Gandhi, above, at Srirangam.

dynasties. They are not related to Mohandas K. Gandhi, founder of modern India, but trace their political lineage to the country's first prime minister, Jawaharlal Nehru, who took office in 1947 and served until his death in 1964.

Mr. Nehru's daughter, Indira Gandhi, became prime minister in 1966 and served, with a two-year interruption, until she was assassinated in 1984 by her Sikh security guards.

Her son Rajiv succeeded her and held office for four years. He was campaigning for a return to power in 1991 when

he was killed in Sriperumbudur. Since Rajiv Gandhi's death, the Congress Party has slowly lost power and influence. Party as a result of its decline, India has entered a period of political instability, with three governments since the last national election in 1996.

Across India, people at all levels of life speak of their yearning for powerful, charismatic leadership of the kind provided by the Nehru-Gandhi family for much of the country's first 40 years. But Sonia Gandhi's attempt to revive the family's political fortunes runs

counter to another powerful trend in Indian politics: the spread of splinter parties based on the myriad distinctions of region, language, religion and caste.

The growing power of the splinter parties led in 1996 to the formation of a 14-party coalition government that ruled for 18 months under two prime ministers, without a parliamentary majority. The Congress Party, frustrated out of power, eventually toppled the coalition, using accusations that one of the coalition parties, based here in Tamil Nadu state, secretly aided the Tamil rebels from Sri

Lanka who assassinated Rajiv Gandhi.

Until Sunday, Congress hoped only to finish a decent second in the coming election and perhaps put together a new coalition. But Mrs. Gandhi's entry onto the stage has set off a wave of euphoria among the party faithful who only a few days ago were consumed with pessimism and recriminations. They believe she will be able to build a coalition of women, young people and the poor that will propel them to victory.

"It is not important that she has never been in government," said S. V. Nageswaran, a Congress leader in southern India who attended the rally Sunday. "People know that her family has always been identified with India. She is popular, she is loved and she will come to power."

Mrs. Gandhi chose Sriperumbudur to make her first political speech because it was here that her husband was assassinated by Tamil militants angered by his efforts to mediate in the war between the Sri Lankan government and Tamil separatists. Before her speech, she and her daughter visited a memorial near the site of the murder, scattering rose petals and jasmine blossoms before his portrait.

From there she was driven a short distance to a sports field behind a high school, where a throng waited under the midday sun. After being introduced as "our beloved leader, the hope of our nation," she read a short speech in English, pausing periodically so it could be translated into Tamil, the principal language in this part of India.

Dressed in a dark green sari, Mrs. Gandhi, 51, spoke clearly and with apparent conviction. "I believe Congress is the only truly national party representing the whole country and all its

people," she said. "Although I am aware of its shortcomings, I am convinced that under the right and able leadership it is the only party with the capability and experience to give India what it needs at this moment."

Mrs. Gandhi, a Roman Catholic, said she is committed to secularism and wants to conciliate this country's many ethnic, religious and social groups.

"We do not want our society to be broken into factions," she said. "We do not want our people to be separated from each other because of caste, religion or region. We prize our diversity."

These comments were oblique attacks on her party's main competitor, the Hindu-oriented Bharatiya Janata Party, known as the BJP. Several prominent figures who joined or supported a BJP-led coalition government that collapsed after 13 days in May 1996 have built their careers on attacking Muslims or other minorities.

Mrs. Gandhi's rivals will probably use her foreign background against her, although she became an Indian citizen in 1986. They have already coined the phrase "Rome Raj" to suggest that she represents foreign efforts to dominate India.

"What is her qualification except that she is the widow of Rajiv Gandhi?" asked Ramakrishna Hegde, a veteran politician who has brought his party into the BJP-led alliance. "She doesn't even come from the Nehru family. She will still be considered a foreigner. What does she know about India and its people?"

"It is too early to assess her as a politician," said Pramod Mahajan, a senior BJP leader. She "is an unopened envelope," he added. "Nobody knows what is written inside."

BRIEFLY

In Japan, Blair Gets Apology for the War

TOKYO — In a meeting with Prime Minister Tony Blair of Britain, the prime minister of Japan issued an official apology Monday for his country's actions in World War II. Most British veterans' groups said the apology was not enough.

Prime Minister Ryutaro Hashimoto expressed the government's "deep remorse and heartfelt apology" for the "tremendous damage and suffering" in the war, a Foreign Ministry spokesman said. He also offered trips for veterans and scholarships for their descendants worth \$1.3 million.

The apology's wording was the same as a statement issued in 1995 by Prime Minister Tomiichi Murayama, the spokesman said.

Antara quoted the province's deputy governor, Suwarna, as saying the company's licenses could be revoked.

The chief of armed forces, General Feisal Tanjung, warned Mooday that the military would take tough action against hoarders of basic commodities.

"We will sweep out speculators who attempt to hoard the nine basic commodities," General Tanjung was quoted by Antara as saying.

Prices of the commodities, which include rice, sugar, cooking oil, soy beans and salt, are controlled by the state using buffer stocks held by the national logistics agency.

(AP, Reuters, AFP)

day after a surprise visit to Manila by the prime minister of Taiwan.

Taiwan said the trip by Prime Minister Vincent Siew was part of efforts to help financially troubled neighbors. Mr. Siew visited the headquarters of the Asian Development Bank, of which Taiwan is a member. Hao Yinbiao, a spokesman for the Chinese Embassy, said Beijing had made a "severe representation" to Manila. The Philippines does not have diplomatic relations with Taiwan.

(AP)

Relief Is Slow in China

BEIJING — Shortages of medicine and food hampered efforts Monday to care for a half-million people left injured or homeless by an earthquake in northern China.

The casualty count held steady at 50 dead and 11,440 people hurt, but estimates of damage to homes soared. Disaster relief officials in Hebei said that 103,000 houses had been destroyed. A provincial official said that another 130,000 houses were uninhabitable.

(AP)

Taiwan Official's Visit To Manila Irks China

MANILA — China delivered sharp protest to the Philippine government Mon-

day after a surprise visit to Manila by the prime minister of Taiwan.

Taiwan said the trip by Prime Minister Vincent Siew was part of efforts to help financially troubled neighbors. Mr. Siew visited the headquarters of the Asian Development Bank, of which Taiwan is a member. Hao Yinbiao, a spokesman for the Chinese Embassy, said Beijing had made a "severe representation" to Manila. The Philippines does not have diplomatic relations with Taiwan.

For the Record

Police used tear gas Monday in Lahore, Pakistan, to disperse thousands of Shiites who tried to ransack buildings in a protest of the massacre of 24 Shiites. (Reuters)

China Executes 16 Over Muslim Unrest

BEIJING — China has executed 16 people in its restive northwestern Muslim region of Xinjiang for murder and robbery during a wave of anti-Chinese violence last year, according to a court official.

In Almaty, the former capital of Kazakhstan, a spokesman for a Muslim exile movement said that China had executed 13 Uighur separatists but vowed that their fight for an independent "East Turkestan" would go on.

Xinjiang Legal Daily, in an edition seen in Beijing on Monday, said that convicts on death row included a gang of seven who killed 13 people and committed more than 10 robberies to "fan ethnic hatred and create an atmosphere

of terror." They "created disorder to split the motherland," the Jan. 2 edition of the newspaper said.

Last Feb. 5, separatist Uighur militants rioted in Yining city, an actio that was followed by widespread looting.

Militants planted bombs on buses in the regional capital of Urumqi three weeks later, coinciding with funeral rites in Beijing for China's paramount leader, Deng Xiaoping. The bombs killed nine people.

China executed 20 people from April to July last year for their roles in the Yining riots and the Urumqi bombings. A total of 27 others were jailed for seven years to life.

Uighur militants have said that they want an independent state of East Tur-

kestan in Xinjiang, which borders Afghanistan, Pakistan and mostly Muslim countries that were formerly part of the Soviet Union.

The court official said the 16 defendants were put to death on Dec. 29 after a Chinese court in Urumqi convicted them of murder, robbery and drug peddling.

Fewer than half the defendants were Muslims from the Uighur and Hui ethnic minorities, said the official, who declined to be identified.

Earlier this month, Chinese state media said the authorities planned a crackdown on separatist activity and labor strife in Xinjiang with the start of the Islam holy month of Ramadan and the approach of the Chinese New Year.

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INTERNATIONAL

Israeli Leader Survives A No-Confidence Vote

But 54-54 Tie Reflects a Difficult Situation

Reuters

JERUSALEM — The government of Prime Minister Benjamin Netanyahu survived a parliamentary no-confidence vote Monday, the first since his foreign minister's resignation left it hanging by a thread.

Parliament rejected two no-confidence motions by a vote of 54 to 54, with two abstentions. The motions were brought by the Labor Party and smaller opposition factions. It takes 61 votes in the 120-member Parliament to bring down the government.

Lawmakers inside and outside the government had forecast that the opposition would fail to muster enough votes to topple the coalition led by the right-wing Likud party and force new elections.

In a hasty debate, opposition legislators attacked the government over rising unemployment and the slow pace of peace moves with the Palestinians.

Last week's resignation of David Levy, head of the five-member Gesher party, left the coalition with a 61-to-59 majority in the Knesset. He accused Mr.

Netanyahu of not doing enough for working-class Israelis and of failing to move forward on peace.

Analysts said that without Mr. Levy, Mr. Netanyahu would be more dependent than ever on right-wing and religious hard-liners and would find it hard to deliver the "significant and credible" handover of West Bank land to Palestinians that the United States has demanded.

When he resigned, Mr. Levy had said the government was like a plane on a flight to nowhere. But Amnon Ruhinstein, a legislator whose Meretz party co-sponsored the second no-confidence motion, said: "A flight to nowhere has a pilot. The plane takes off. There are a couple of stewardesses and there's a safe landing. This government has none of this."

Past Israeli governments have survived on razor-thin majorities, but given the crisis-laden record of Mr. Netanyahu's 19 months in power, some analysts and politicians have predicted the government's early collapse. Elections are not scheduled until November 2000.

Tehran Denies Plans for a Visit By an American Congressman

Reuters

TEHRAN — Iran said Monday that no arrangements had been made for a visit here by Thomas Lantos, a U.S. congressman.

The Foreign Ministry, quoted by the official Iranian press agency IRNA, did not say if it was reaching directly to a renewed offer by Mr. Lantos to visit Iran after the televised address by President Mohammed Khatami to the American people last Wednesday.

Mr. Lantos tested the waters the day after the interview of Mr. Khatami on CNN by writing to Mr. Khatami to renew his offer to visit Iran and discuss the prospect of better relations.

Mr. Lantos had first proposed to visit Iran last month, but the State Department had said it would discourage the visit and Iran had denied at the time any such visit was planned.

Iran's Foreign Ministry said that no arrangement whatsoever had been made for U.S. Congressman Thomas Lantos to visit Tehran, IRNA said.

Mahmoud Mohammadi, the ministry's spokesman, denied any agreement between the Iranian government

and the United States, and observed that Lantos had previously only indicated a personal interest to visit Tehran in a bid to open talks with the Iranian government, the press agency added.

Mr. Khatami, a Shiite cleric who is seen as a moderate, combined conciliatory remarks with stern criticism of U.S. policies. He called for a "crack in the wall of mistrust" between Americans and Iranians but made no direct proposal for dialogue between the two countries.

The U.S. government hailed his "encouraging tone" as officials debated ways of responding. Washington said that government-to-government talks were the only way to end two decades of hostile relations.

Mr. Khatami's address, the first time an Iranian leader had spoken directly to the American people on television since the Islamic revolution, sparked wide debate in Iran.

Conservatives criticized his conciliatory remarks and moderates praised them as paving the way for a rapprochement between the two nations. The moderates said it was now up to Washington to make the next move.

BOOKS

OPEN LANDS

Travels Through Russia's Once
Forbidden Places

By Mark Taplin. 376 pages. \$29.50.
Steerforth.

Reviewed by David Tuller

THROUGHOUT much of this century, the Soviet regime barred Western diplomats and tourists from visiting large swaths of the country. In 1992, the newly independent Russian government signed an agreement with the United States that allowed access to these once-forbidden zones. Mark Taplin, an American diplomat in Moscow during the mid-1980s, seized the opportunity to explore life in the hinterlands, and "Open Lands" is the intermittently illuminating but frequently frustrating record of his journeys. These obscure regions, Taplin tells

us, sheltered secrets ripe for exposure. "Everyone knew that out there were thousands upon thousands of prisons, labor camps, rocket silos, testing sites, closed research facilities, tank factories, air bases, and so on," he writes. "There were also plenty of rumors of nuclear tests gone awry, killer chemical spills, ethnic riots.... Was there a truer expression of Russia's past — and its future — in those forbidden places of the Soviet era?"

The seven regions Taplin visits are certainly far enough afield. If the average American would have trouble locating Moscow or St. Petersburg on the map, almost no one would be able to place Vorkuta, a desolate town above the Arctic Circle to which the regime shipped thousands of "enemies of the people" who longs for an American soldier she met decades earlier.

Moreover, anyone who has spent much time in Russia will recognize the vodka-addled seatmates on seemingly endless train rides, the dour museum guides parroting the official line, the overzealous host whose "program" for his overnight guests leaves no room for the pleasures of serendipitous discovery. Taplin also does out some interesting and little-known historical nuggets, such as an account of American soldiers who fought the Reds during the chaotic period after World War I.

But more often than not, Taplin fails to infuse his picturesquely escapes with deeper insights into the reality of Soviet and post-Soviet life. His descriptions of uncooperative bureaucrats, brash entrepreneurs, unappetizing meals and dilapidated hotels — standard features of the travel-adventure genre — wear thin after a while. He often appears more enamored of his own reactions than of the lives of the people he encounters. The Russians themselves frequently come across as caricatures rather than individuals with complex — and complicated — human dilemmas, motivations and emotions.

That's a shame, because the potential questions are both tantalizing and obvious: How did it feel to be cut off from the rest of the world for so many decades? What did they imagine life elsewhere? Given their isolation, how did they manage to construct for themselves some semblance of a life?

Taplin's narrative voice can also be grating. His efforts at lyrical description often fall flat. And at times he adopts the persona of an American naïf — Mr. Smith Goes to Russia? — who finds himself outraged at Soviet-style corruption, obtuseness or just plain incompetence. His indignation at these moments, such as when he berates a television executive in Tuva for broadcasting American films without permission, seems smug and disingenuous.

The promotional materials for "Open Lands" liken it to "Lenin's Tomb,"

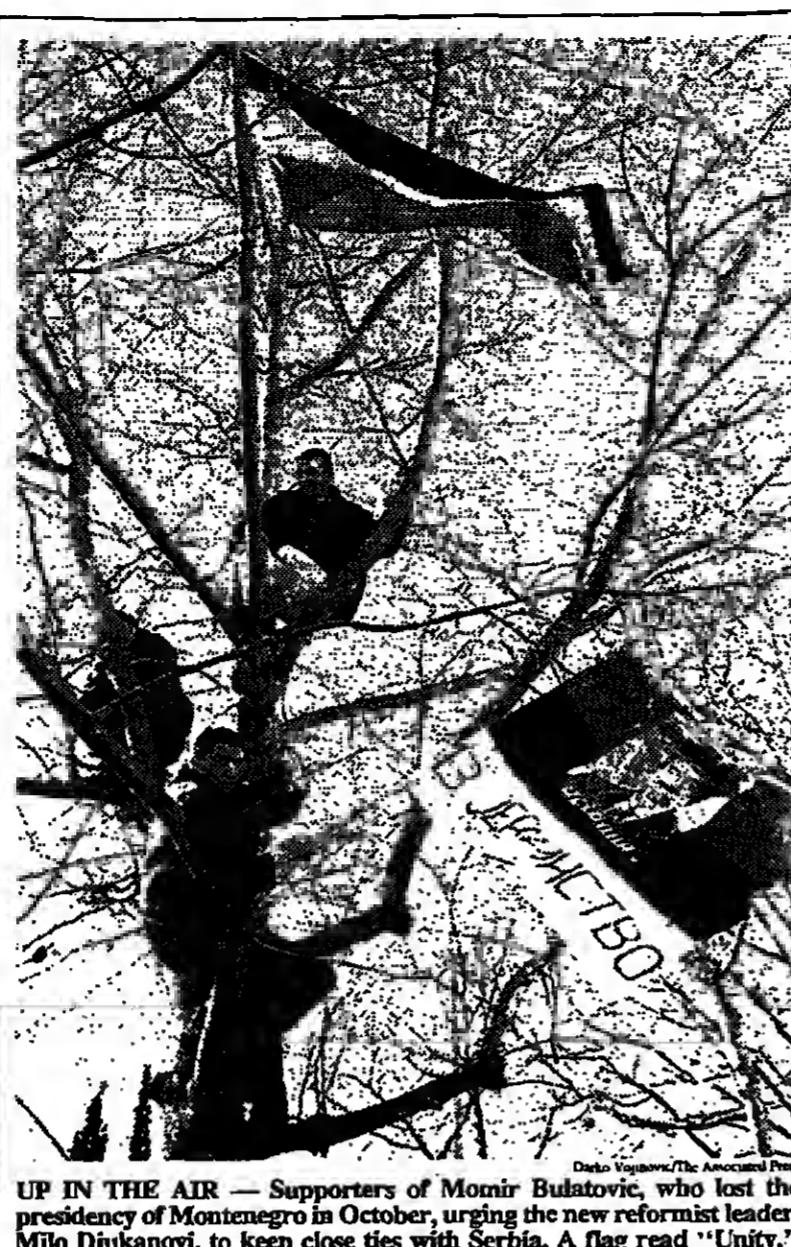
David Remnick's Pulitzer Prize-winning study of the collapse of the former Soviet Union. It is an audacious — and unfortunate — comparison. Taplin never comes close to matching that book's graceful style and deft political analysis.

Refusing to recognize the Soviet annexation of the Baltic nations, which followed the Nazi-Soviet pact of 1939, Washington preserved their embassies here. And since the collapse of the Soviet Union in 1991, Washington has worked hard to get Russian troops out of the Baltics, to promote economic and political stability and to help give the Baltic countries some idea of how to defend themselves.

After beating back Finegold's attempts to attack, Ivanov took over the initiative with 25 Rfd1. With the simple but effective 26 g3, he put everything in order for a final attack. Finegold played 28...Qc1 29 K2g, and realizing that 29...Qh2 would be met by 30 Ne3; Rg7 31 Rfd2 Rg8 32 Rg8 Qd3 Qd2, winning a piece, tried the desperate 29...Bf2. After 30 Kf2 Qb2 31 Qe2 Qc3 32 Qd2, however, he had no real counterplay and gave up.

FINEGOLD/BLACK

Position after 27...Qg5



UP IN THE AIR — Supporters of Mounir Bubatovic, who lost the presidency of Montenegro in October, urging the new reformist leader, Milo Djukanovic, to keep close ties with Serbia. A flag read "Unity."

ALGERIA: More Than 100 Are Butchered

Continued from Page 1

Hacouche Sahraoui, reportedly as they were leaving a mosque.

The Islamic insurgency began after the government canceled the second round of elections in early 1992 that the Islamic Salvation Front was poised to win.

But exactly who is doing the killing and why has become a subject of debate. The terrorist wing of the Front has declared a cease-fire with the government.

One theory is that the military allows the violence to continue to alienate the public from the fundamentalists. Another is that the extremist terror organization Armed Islamic Group is killing the relatives and allies of Front members.

The various diplomatic factions hope to sort out these confusions, though the government has warned it has little interest in foreigners snooping around on Algerian soil. Some European nations are wary as well. France, the nation's former colonial ruler, is concerned about controlling Islamic terrorism on its own soil.

The French defense minister, Alain Richard, said Monday on France 2 television that France "does not see a reason to internationalize the conflict" in Algeria. "The view of the French government," he added, "is that there are authorities in place in Algeria who, moreover, have made an effort toward some form of democracy."

"We do not propose the sending of blue helmet peacekeepers," he said, referring to the United Nations.

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EUROPE

Spain's Olive Growers Erupt at EU

By Marlene Simons
New York Times Service

Manuel Cubillo, olive oil taster, taking a sip at the German Baena plant.

BAENA, Spain — Manuel Cubillo had filled his glass and cleared his throat and was ready to test a syrup of an unspeakable vivid yellow-green. Big gulping sounds followed. Mr. Cubillo beamed.

"This is as good as it gets," he said, putting down his glass of olive oil. "It's fresh and a little peppery. Probably picked and pressed the same day."

Mr. Cubillo takes these sips for a living because he is an oil taster and this, the middle of the winter, is a hectic season for his palate and nose.

It is harvest time in the groves around Baena in southern Spain, a town at the heart of the biggest olive-oil producing region in the world. Across Andalusia, in fact, 300,000 people are taking part in the age-old ritual: Men with long poles whack the branches full of swollen olives while the rest of the family is down on the ground, collecting the fruit falling on the sheets beneath the trees.

Outside the plant — called German Baena — for oil pressing and bottling where Mr. Cubillo works, farmers lined up recently to deliver their loads of ripe olives. A heady, leafy aroma oozed from the crushing presses and filled the air. It might have been an image of rural bliss and bounty. Except that in Baena and the hills beyond, a rebellion is brewing.

The farmers are angry at the European Union and its plan to reduce olive-oil subsidies. Of the union's annual subsidy of more than \$2 billion, close to 40 percent goes to Spain, which will suffer most from any cuts.

Officials at the EU's headquarters in Brussels say that above all they want to make changes to reduce fraud. Instead of paying a fee for oil reported to come off the presses, officials in Brussels argue that a more fraud-proof method would be to count the claimant's number of trees as a basis for subsidies.

EU inspectors see evidence of widespread fraud in Italy where a small farm will commonly sell oil to a larger one, with both then collecting subsidies for the same produce. In Spain, where 75 percent of the farmers sell to cooperatives, a method that is more transparent, the record is considered cleaner, though not impeccable.

Spanish farmers are outraged at the plan because they say it would punish them for someone else's sins and cut subsidies that make producing olive oil viable.

"The profit margin is already very small," said Joaquin Garcia, who heads the federation of farm cooperatives in Cordoba. He said a Spanish farmer receives \$4 a kilogram (2.2 pounds) of oil, \$1.65 of which comes from the European Union.

In Baena, a town of 20,000 people, where more than half live off their olive trees, farmers are not sining still. Last summer, they helped organize a march in which more than 50,000 farmers and workers demanded that the Spanish government defend their interests. They were present a year ago when olive growers chartered 22 planes and flew to Brussels for the day to protest.

To old-timers here, whose faces are as lined as their beloved trees, the battle is a case of desk-bound bureaucrats deciding about real-life issues they do not understand.

"You may get five kilos from one olive tree and 150 kilos from another," said Francisco Tarifa, a burly farmer who also heads the local cooperative. "How can you subsidize a tree? Some have one trunk, some four. They behave differently if you prune them or water them or kill the weeds."

Any remaining respect for the officials in Brussels dissolved last year

when Franz Fischler, the European commissioner for agriculture, visited Baena. Mr. Fischler, who is Austrian, gamely picked an olive from a branch, ate it raw like a cherry and pronounced it oil viable.

That story is still prompting contempt in a country where everyone knows that this bitter, indigestible fruit must be carefully pressed or cured in brine for weeks to become edible. "Having a raw olive is like eating an unpeeled chicken or an uncooked potato," Mr. Tarifa scoffed.

For the Baena region, the next step is to take on Italy, which buys almost half of Spain's oil exports and bottles and resells them under prestigious Italian names. "We've been great at producing, but bad at selling ourselves," said Mr. Tarifa, demonstrating how his cooperative is copying some of Italy's best sales gimmicks.

He got permission from the Duke of Baena, who lives in Madrid, to use the duke's name and coat of arms. "There it is, on our grand reserve," he said, holding up a cut-glass bottle worthy of any boutique. "And, of course, the clover the better."

Just one thought: Did Mr. Tarifa ever put butter on his table? "Butter," he said, twisting his face. "It's terrible for your health." He paused to find something worse. "Putting butter in food," he said darkly, "is a mortal sin."

Aid on Holocaust Claims Is Found

By David Cay Johnston
New York Times Service

NEW YORK — After World War II, Holocaust survivors and relatives of victims pressed insurance claims against German and Italian companies, which denied many of them because the claimants lacked death certificates, policy numbers or other documentation.

But now researchers have recovered from government and private archives documents that strengthen those claims and show how the top executives of the biggest German insurance company, Allianz AG, worked closely with the Third Reich to seize policies owned by Jews and to press Allianz's business in conquered countries and to limit claims from riots the Nazis orchestrated to destroy Jews' property.

The most significant document found, experts say, is a single copy of an Austrian state police report, a fill-in-the-blanks form that is so apparently banal that researchers initially did not appreciate its significance, said Terrell Hunt, president of Risk International, a Houston company that does insurance research.

The 1940 document directs the Italian subsidiary of Allianz to turn over to the Reich Treasury the proceeds of a life insurance policy owned by Salomon Israel Koenigs of Vienna.

Mr. Hunt said the numbering on the document suggested that it was one of tens of thousands of such documents in

the files of the state police in Austria, which was occupied by Nazi Germany's armed forces in March 1938 and incorporated into the German Reich. He believes these seizure documents have been preserved in archives.

"This document is the key for hundreds of thousands of people to make claims," Mr. Hunt said. "Its significance is that it is a standard form on which the Nazis listed the name and address of the insured, the insurance company and the policy number, which are the details needed to make a claim."

Under a 1933 German law, the property of Jews who emigrated was confiscated. Jews who were deported to death camps were considered emigrants under that law.

The document is addressed to the "management office for the German Reich" in the Vienna office of Rimini Adriatica di Sicurtà, the Italian subsidiary of Allianz, indicating that the Nazis had their own personnel in the offices of major insurers.

Linda Gestel, a partner at Anderson Kill & Olick, a New York insurance litigation firm working on a suit by Holocaust survivors and heirs of victims against Allianz and 14 other German and Italian insurers, said the document suggests that the Allianz subsidiary acted in bad faith, violating its duty of loyalty to its policyholder.

She said that even under the 1933 German law, the insurance company had a duty to inquire into whether Mr.

Koenig had indeed emigrated or was entitled to payment.

Douglas Talley, a Risk International lawyer, said that other documents the company had gathered from war archives showed that rather than simply following orders from the Third Reich, there was "a formal collusion" between financial institutions and the Nazi government to loot assets.

Risk International has been donating its services, but Mr. Hunt said the firm needed to find a paying client to continue its work because of the volume of documents that need to be examined and cataloged to make claims.

The significance of the document was disputed by the senior spokesman for Allianz, Emilio Galli-Zagaro. He confirmed that tens of thousands of similar documents exist, but he said reparations the German government made to Holocaust survivors and victims' relatives after the war settled all claims.

"During the war it was normal — it is horrifying to say that now, but it was normal procedure then — to seize the insurance policies of Jews and give them to the Nazis," Mr. Galli-Zagaro said in a telephone interview from Rome.

"All survivors, of which there were not very many, and their heirs and those who could benefit collected their money" from the German government, he said. "Until this lawsuit was filed in New York last year, which hit us quite unexpectedly, we had not had a claim made in 20 years."

The lawyer who filed the case, Edward Fagan of New York, said, "The suggestion that these people were paid by the German government is just preposterous."

He said that Allianz and other insurers controlled the information needed to pay claims and relied on technicalities to deny payment or to pay less than was owed.

Allianz and most of the other 14 insurance companies named in the lawsuit have operations in the United States, which may make them subject to U.S. courts.

Top Allianz executives who became senior officials in the Nazi government were interrogated by U.S. investigators after the war. They described countering Nazi officials beginning in 1932 and making political contributions to the Nazis. Kurt Schmitz, who was the chief executive of Allianz in the early 1930s, became Hitler's first minister of economics, dined frequently with Hitler and his top aides and wore an SS uniform, the statements show.

When the Nazis conquered a country the assets of local insurance companies were taken over by Allianz and other German insurance companies and by Assicurazioni Generali, an Italian insurance company, a recently declassified report by American economic intelligence experts stated.

Mr. Galli-Zagaro said "there is no question" that Allianz sought to profit from the war, but he said the company never sought to profit from the Holocaust.

BRIEFLY

Russian Duma Puts START-2 on Hold

MOSCOW — The State Duma, Russia's lower house of Parliament, does not plan to debate the U.S.-Russian START-2 nuclear disarmament treaty in its first six months of work in 1998, the Itar-Tass press agency said Monday.

The first deputy speaker of the Duma, Vladimir Ryazakov, was quoted as saying that "the fate of the START-2 treaty is still not clear."

President Boris Yeltsin and George Bush, the U.S. president at the time, signed the treaty after the Strategic Arms Reduction Talks in 1992. The agreement has already been ratified by the U.S. Senate, but not by the Russian Parliament. (APF)

President Bill Clinton called Saturday for a five-year ban on human cloning experiments. (Reuters)

Despite the government's use of force over the weekend to evict to evict from about 20 unemployment offices, militants began a new wave of occupations even as they urged fresh protests for Tuesday. (Reuters)

Chirac Calls for Ban On Gene Engineering

PARIS — President Jacques Chirac appealed Monday for an international ban on human genetic engineering as officials of 19 European countries signed an agreement outlawing human cloning.

"Nothing will be resolved by banning certain practices in one country if scientists and doctors can simply work on them elsewhere," Mr. Chirac said at a conference of Europe's national ethics committees.

President Bill Clinton called Saturday for a five-year ban on human cloning experiments. (Reuters)

For the Record

PARIS — Jobless activists staged fresh protests across France on Monday as the leftist government struggled to prevent a growing social movement from spinning out of control.

Employment Minister Martine Aubry planned to meet the leaders of associations representing job-seekers later in the day. (APF)

Britain and Ireland Offer Ulster Pact

Reuters

BELFAST — Britain and Ireland unveiled Monday far-reaching proposals for ending years of strife in Northern Ireland.

They proposed a new intergovernmental pact, an elected Northern Ireland assembly and an all-Ireland ministerial council.

The proposals, which politicians from Protestant and Catholic parties will discuss further Tuesday, also envisaged changes to the Irish republic's constitutional claims over Northern Ireland and to the legislation by which London rules the province.

"It is a road map to agreement," the Irish foreign minister, David Andrews, said at a news conference after the proposals received a cautious welcome from the main Protestant and Catholic political parties, the Ulster Unionists and the Social Democratic and Labour Party.

"This breakthrough offers a new basis for discussion that both governments hope will enable progress," said Mo Mowlam, Britain's minister for the province.

The initiative was viewed as bringing a fresh burst of life to the peace process after a somber period when guerrilla killings strained the peace process.

Political analysts said the proposals would form a fresh agenda as the talks approach a May target set by London and Dublin for a solution.

A joint document proposed a "British-Irish Agreement" to replace the Anglo-Irish Agreement of 1985, an accord that Protestant pro-British parties have railed against. They said it gave Dublin an unwarranted say in day-to-day running of the British province.

The new agreement would provide for



Series: Reuters/The Associated Press

an "intergovernmental council" of representatives from the two governments, the Northern Ireland assembly and devolved parliaments such as Britain is planning for Scotland and Wales.

A "North-South Ministerial Council" would decide matters of mutual interest between both parts of the island and be accountable to the Belfast assembly and the Irish Parliament.

Political analysts said the propositions mirror plans outlined in a "framework document" in 1995 in which London and Dublin mapped out their vision of how the rival communities might

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Herald Tribune

INTERNATIONAL

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

New Nuclear Danger

The end of the Cold War has produced an alarming nuclear irony. Russia is now more dependent on its nuclear weapons than ever, and at the same time those weapons are more vulnerable. That increases the chances that in a severe crisis Moscow might consider using them. It is imperative for Washington to help reverse that trend, and Bill Clinton has the tools to do so, if he is willing to use them.

When the Cold War ended, the Soviet Union had one of the largest land armies in the world, an abundance of conventional weapons and a nuclear strike force nearly equal to that of the United States. Since then, domestic politics, economic problems and general neglect of the military have left Russia with a hollow conventional force. As that force has deteriorated, Russian military planners have placed increased emphasis on nuclear weapons, which are less expensive to maintain.

But steeply declining defense budgets have left even some of those weapons dangerously exposed. Most Russian ballistic-missile submarines are kept in port because it costs less to keep them idle than to put them to sea.

That makes it easier for another country to knock out Russia's submarine fleet. NATO's ill-advised expansion, if approved, will bring Western forces closer to the Russian border. While a NATO strike against Russian nuclear weapons now seems unimaginable, the psychology of vulnerability on the Russian side is real.

The Clinton administration should

act to defuse this growing nuclear risk. Progress in negotiating and ratifying new arms reduction treaties has slowed, held back in part by the opposition of Communists and nationalists in the Russian Parliament and Republicans in the U.S. Senate. But President Clinton and President Boris Yeltsin can move on their own to take off high alert some of the 3,000 nuclear warheads that each side now has ready to fire at the other on short notice. George Bush and Mikhail Gorbachev took a similar step with nuclear bombers and missiles in 1991. Such a decision would provide additional time for communication and diplomacy in a crisis.

About a third of American warheads could now be taken off alert without risking national security. Russia can be expected to reciprocate. Specifically, Mr. Clinton could order the launch keys for part of the MX missile force removed. MX guidance systems could be taken out of the missiles and stored in their silos. Silos could even be covered with heavy objects that would have to be removed before launching.

Several of these ideas have been proposed by Sam Nunn, the former senator from Georgia, and Bruce Blair of the Brookings Institution, and are viewed favorably by American military planners. All that is needed now is for Mr. Clinton to take political leadership on this issue. Reducing Russia's reliance on nuclear weapons ought to be a concern of the highest order for the Clinton administration.

—THE NEW YORK TIMES

Vietnam Slows Down

Since 1986, Vietnam has attracted tens of billions of dollars in foreign capital and sparked a noticeable rise in urban living standards by moving away from the rigid socialist economy bequeathed by Ho Chi Minh. But in recent years the reforming impulse has stalled. That trend was strengthened by the recent designation of General Le Kha Phieu as Communist Party chief. Vietnam's highest political post. He is a military conservative more interested in preserving political control than in liberating economic energies.

General Phieu is one of three new top officials named in the last four months to replace the aging leadership that carried the reforms through their most dynamic period. The others are Prime Minister Phan Van Khai, an economist closely associated with past reforms, and President Tran Duc Luong, a mining engineer.

Vietnam's economic reforms are far from complete and have not progressed nearly as far as China's. The needed next step is an aggressive scale.

—THE NEW YORK TIMES

On-Line and Ordinary

The customary year-end surveys showing robust Internet growth — more people using the Web and e-mail, more people calling the technology indispensable to their daily lives, more Europeans on-line, more electronic commerce — are finally starting to pick up more interesting patterns than mere hectic expansion.

The general impression they convey is that people are starting to settle down from faddishness into the use of technologies that help them do things they would do anyway.

A study by a small firm called the Emerging Technologies Research Group, after asking respondents what they had used the Net and the Web for during the past year (the top answers were news, hobbies, travel and entertainment), went on to ask them what additional uses they intended to make of the Net in the year to come.

This will be instantly recognized as a question about New Year's resolutions, and in that context the answers do not so much herald new patterns of human behavior as confirm the continuation of old ones. Those answering the poll said they intend to pay more attention to on-line banking and personal investment, to use the Net more for adult education and to get more information from it about health and medicine.

There are also hints that, from an on-line society once composed mostly of fearlessly adept techies and clueless newcomers dependent on their service providers, the Net is slowly starting to develop something like a middle class. Another survey — from the Atlanta-based Graphic Visualization and Us-

ability Center — had the bright idea of polling separately for the opinions of novice, intermediate and expert users (with experts defined as those on the Net for four years or more).

The survey found perceptible differences in opinion among the three groups, notably a greater concern among novices than experts about privacy, with more novices than experts saying that new laws are needed to protect Net users' privacy.

More novices also expressed "strong disagreement" with the proposition that vendors have a right to resell consumer information collected about Net users through "cookies" — bits of code that Web sites send into a visitor's browser in order to track the visitor's history of subsequent visits to the site. Surveyors expressed surprise at the number of users who seem reasonably well informed about what cookies are and how they work. About two-thirds were able to explain how their software is set up to deal with cookies (it can block them, accept them or send a warning message), and a quarter said they had altered the settings themselves.

It may be that fears of on-line vulnerability go down as people learn more about how to tweak their computers and how the whole mysterious business works.

While not definitive on the question of what should be done to protect Net privacy, this is yet another bit of evidence that people's behavior on-line, far from being strange and science-fictional, bears strong resemblances to their behavior everywhere.

—THE WASHINGTON POST

Herald Tribune

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U.S. Advertising Office: 630 Long Ave., London WC2A 2PL, U.K. Tel: (171) 830-1822. Fax: (171) 840-2254.
S.A.S. au capital de 1.200.000 F. RCS Nanterre B 73202126. Commissaire aux Comptes: No. 61337.

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Next, Watch the Play on Khatami's Chessboard

By Richard W. Murphy
and Nomi Colton-Max

NEW YORK — In his address to the American people via CNN last week, President Mohammed Khatami of Iran had kind words for the American Puritans, the Declaration of Independence and Abraham Lincoln. However, he made joining criticisms of American foreign policy and rejected an official dialogue with the United States.

Washington has responded positively to Mr. Khatami's address and included the appropriate reservation about the need for an official dialogue.

He came close to expressing regret for the taking of hostages at the U.S. Embassy in 1979, but reminded his audience of the historical context in which it occurred.

He then listed Iranian grievances over American policy, some dating back nearly half a century. Few Americans listening to the interview would have recalled all his facts, much less their historical context.

His statements left unanswered many questions about the dynamics of Iranian politics. American analysts failed to predict his election last May, and each step that he has taken since has surprised us, underscoring the depth of our national ignorance about Iran. Now we can no longer even be certain that Iran's Supreme Guide, Ayatollah Ali Khamenei, is the unchallenged formulator of Iranian foreign policy.

Using the stale rhetoric of confrontation, Mr. Khatami characterized Is-

rael as a "racist, terrorist" state. This rhetoric, along with his assertion that some foreigners believe that U.S. Middle East policy is decided in Tel Aviv and not Washington, may well have reflected his own views. It may equally have been designed to please a more local audience, both in Iran and elsewhere in the Middle East.

Such slurs do not negate the fact that Iran has long acknowledged the existence of the state of Israel. This has been implicit in Iran's position that it would take no action to interfere with the peace process, and explicit in its acknowledgment of Syria's right to negotiate its own peace treaty with Israel.

Mr. Khatami asserted that the U.S. sanctions have stimulated the Iranian economy. Do the Iranians really not need to worry about U.S. economic pressure? Hardly. That pressure pushed the Iranian currency to near collapse in 1994-1995. But sanctions may have stiffened resolve to lower the foreign debt and inflation rate through voluntary embrace of tough IMF recommendations. The bottom line is that Iran has grown stronger. U.S. sanctions never enlisted wide international support.

Did Mr. Khatami rule out govern-

ment-to-government talks for the present because he knew they could cause too much friction within Iran's leadership circle or because he is not yet prepared to discuss U.S. complaints? Gib U.S. pundit notwithstanding, we simply don't know.

He has proposed a broad exchange of scholars, writers, artists, and tourists. This in itself is a good development in the relationship, and we hope that his government follows through.

Mr. Khatami has set the chessboard for a game restricted to private citizen exchanges, but of course only government-to-government talks will allow each country to deal with the issues that most concern it.

How long will this current chess game last? It would be nice to think it could be concluded in six months. Both countries could then really enjoy watching their soccer teams joust in the World Cup next summer.

Mr. Murphy is a senior fellow at the Council on Foreign Relations, where Ms. Colton-Max is a research associate. They contributed this to the International Herald Tribune.

For Indonesians, the President Looks Like the Problem

By Adam Schwarz

WASHINGTON — Unemployment in Indonesia is set to soar in 1998, with growth plummeting, corporate layoffs a certainty and more than 2 million new job-seekers entering the work force. Indonesians, expecting more price rises, are fighting in the aisles of supermarkets and busy hoarding goods; looting is on the rise.

For a leader whose principal claim to political legitimacy is economic growth, these are dark days indeed.

President Suharto has accomplished a great deal with Indonesia, turning a poverty-ridden backwater into a vibrant, confident developmental success story inside a generation. But as the Asian miracle has unwound, the underside of his authoritarian rule — corruption, nepotism, lack of transparency — has taken center stage.

Indonesia largely overcame these shortcomings while the economy grew year after year by more than 7 percent. But in the 1990s, as economic success raised expectations, dissatisfaction with Mr. Suharto's aloof leadership style has been on the rise.

Thailand and South Korea have both changed governments since receiving IMF support, and thereby at least given the impression of a clean break with the past, but Indonesia has clung to the political status quo. The result is a profound crisis of confidence in Mr. Suharto's ability to restore the market's faith in Indonesia's economic prospects. In short, he has come to be seen as the problem.

The \$43 billion rescue package organized by the IMF in October did not address the core concern that the market has about Indonesia. It was overly concerned with macroeconomic targets and too little with fundamental structural changes.

In the negotiations with the IMF to restructure and accelerate the rescue package, Mr. Suharto will be pushing for le-

nency on meeting the IMF's directive to produce a budget surplus. His primary political concern right now is to forestall mass-based opposition to his rule, and that means continuing budget subsidies to ensure adequate supplies of rice and other basic commodities at affordable prices. The drought afflicting parts of Java has already started pushing prices higher.

The IMF would do well to give ground on this point. Massive social unrest, a real risk, serves nobody's interest. But the price should be much stricter conditions to other areas.

The list should include a more far-reaching reform of the banking sector, with more independence for the central bank so that it is capable of enforcing its own rules.

As a sign of Mr. Suharto's commitment to genuine reform, the IMF should insist on the immediate ending of some of the more egregious examples of

Shouting Down the Debaters

By François Godement and Gerald Segal

LONDON — Like a fleet caught in a raging storm, most of Asia's economies appear to be rudderless. Asia's silence and admission that it is not in a position to resolve the crisis are an extraordinary event, which will create political instability and rekindle nationalist frustration.

But what should we think of the West's silence?

While the Western powers can claim that they are acting through the IMF, the IMF is in fact conveniently taking the flak from all quarters and serving as a shield for the principals should events turn sour.

There is far less grief about the events in Asia than many Asians might have expected.

The supposedly globalized economy does not depend much

on Pacific Asia, whose economic demise looks like reducing the GDP of OECD countries only slightly in 1998. There will be a slowdown in European and American sales to Asia, but supply-side costs are falling much faster. Commodity prices in Peiping, Malaysia, or Pusan, South Korea, will be much cheaper in 1998.

In addition, capital flight from Asia is producing record inflows in Western interest rates. In Europe, the Maastricht criteria that once looked improbable now appear likely to be overfulfilled. In the United States, the Federal Reserve can afford to relax about inflation.

The prospect of increased trade deficits for the West's

consumer economies is only a moderate threat. Interest from Asian debt, and the prospect of attractive property takeovers in Asia, will satisfy many Europeans, but mainly Americans.

In democratic systems where short-term results set the public mood, these trends are satisfying to elected politicians.

Beyond these windfall profits, satisfaction in the West with the Asian crisis comes from a sense that those infused with Asian hubris were due to be cut down to size.

Europeans were fed up with being criticized for their stifling social system, and Americans were exasperated by complaints about their acute individualism.

Yet there are real and compelling reasons that should tone down this Western mood. First is a scary possibility of a financial emergency in Japan.

Japan has been much less exposed than expected, but it has failed to enact real financial and political reform. Domestic gridlock means that even its peerless exporters and its seemingly bottomless reserves would be no protection against a run on its financial system.

At a minimum, there is reason to worry that Japan will be able to provide far less capital worldwide.

Second, the Chinese shoe has yet to drop. China is already in the midst of a serious deflation, with the prospect of either a sizable devaluation that would

further destabilize the region or of massive social and political unrest. Beijing is slowing down its plans for further conversion to a market economy and reform of the state-owned industries. A defensive and nationalist China in the midst of a region already deeply resentful of the West is not good news.

Third, a complacent West is a danger to itself. Competition and capital from Asia have been essential to revitalize Western economies and reform societies. Without Asia's prodding, Detroit would still be far behind, and consumer goods on supermarket shelves in Europe would still be too expensive.

Europeans and Americans need to be careful that their cool response to the Asian crisis does not let down many people in Asia. The educated and largely democratically inclined citizens of Asia formed a compact with the West that now requires active Western support for continuing reform in Asian economies and political systems.

Shortsighted Western leaders who feel tempted to let Asians trickle down the drain might be losing their own bet on the future of global prosperity.

Mr. Godement is a senior research associate at the Institut Français des Relations Internationales, in Paris, and Mr. Segal is director of studies at the International Institute for Strategic Studies, in London. They contributed this comment to the International Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Dreyfus Theory

LONDON — The Times says: "Our Paris correspondent sees in the condemnation of Captain Dreyfus an outburst of anti-Semitic prejudice. That such prejudice has been aroused by the proceedings is more than probable, but the theory that anti-Semitism suddenly exploded upon a particular and not very prominent individual does not carry complete conviction. It does not seem incredible, in view of the obscurity surrounding the history of that preposterous *bordereau*, that Captain Dreyfus is the victim of a plot engineered by private malice."

1948: Gandhi to Fast

NEW DELHI — Spiritual leader Mohandas K. Gandhi re-entered the Indian political scene in another of his famous bids for Hindu-Muslim unity by announcing plans for a new fast to death. At his usual prayer meeting he declared that he would begin his fast after breakfast tomorrow [Jan. 13] in an attempt to bring the warring religious communities together.

1923: Hitler Response

BERLIN — In a curt and almost defiant reply to M. Poincaré's notification of the occupation of the Ruhr, the German Government declared that he would begin his fast after breakfast tomorrow [Jan. 13] in an attempt to bring the warring religious communities together.

mi's Chessboard

A Morally Bankrupt Drug War

By Milton Friedman

SANFORD, California — Twenty-five years ago, President Richard M. Nixon announced a "war on drugs."

I criticized the action on both moral and expediential grounds in a *Newsweek* column, "Prohibition and Drugs".

"On ethical grounds, do we have the right to use the machinery of government to prevent an individual from becoming an alcoholic or a drug addict? For children, almost everyone would answer at least a qualified 'yes.' But for responsible adults, I, for one, would answer 'no.'

"Reason with the potential addict, yes. Tell him the consequences, yes. Pray for and with him, yes. But I believe that we have no right to use force, directly or indirectly, to prevent a fellow man from committing suicide, let alone from drinking alcohol or taking drugs."

That basic ethical flaw of the drug war has inevitably generated specific evils during the past quarter century, just as it did during America's earlier attempt at alcohol prohibition.

The use of informers. Informers are not needed in crimes like

Can a policy be moral if it leads to widespread corruption, racism and urban decay, and brings death and destruction to foreign countries?

robbery and murder because the victims of those crimes have a strong incentive to report the crime. In the drug trade, the crime consists of a transaction between a willing buyer and a willing seller. It is in the self-interest of both that the crime not be reported. That is why informers are needed.

Under-treatment of chronic users. Prohibition makes drugs exorbitantly expensive and highly uncertain in quality. A user must associate with criminals to get the drugs, and many are driven to become criminals themselves to finance the habit. Needles, which are hard to get, are often shared, with the predictable effect of spreading disease.

Under-treatment of chronic pain. The federal Department of Health and Human Services has issued reports showing that two-thirds of all terminal cancer patients do not receive adequate pain medication, and the numbers are surely higher in chronically ill patients. Such serious under-treatment of chronic pain is a direct result of the Drug Enforcement Agency's pressures on physicians who prescribe narcotics.

Filling the prisons. In 1970, 200,000 people were in prison in America.

Harming foreign countries. Our American drug policy has led to thousands of deaths and enormous loss of wealth in countries like Colombia, Peru and Mexico and has undermined the stability of their governments. All because we cannot enforce our laws at home.

If we did, there would be no market for imported drugs. There would be no Cali cartel. The foreign countries would not have to suffer the loss of sovereignty involved in letting our "advisers" and troops operate on their soil, search their vessels and encourage local militaries to shoot down their planes. They could run their own affairs, and we, in turn, could avoid the diversion of military forces from their proper function.

Can any policy, however high-minded, be moral if it leads to widespread corruption, imprisons so many, has so racist an effect, destroys our inner cities, wreaks havoc on misguided and vulnerable individuals and brings death and destruction to foreign countries?

The writer, a Nobel laureate in economics, is a senior research fellow at the Hoover Institution. He contributed this comment to The New York Times.

OPINION/LETTERS



Why Man's Best Friend Belongs in the Office

By Daniel S. Greenberg

WASHINGTON — America's ancient conflict between dog lovers and the anti-dog rabble will never end, but recent events indicate that the tide is shifting in favor of dogs.

The business world, according to many reports, is finally awakening to the psychological benefits of dogs and other pets

MEANWHILE

spending the workday with their human friends. For both dog and human, it's all gain.

Ben, our Labrador retriever, finds nothing special about office life. For nearly a decade, as successor to another Lab, he has occupied a place in my home office and is accustomed to the clacks and beeps of office machinery and the comings and goings of visitors. Most of the time he does under my desk. But if a telephone conversation becomes a bit loud or agitated, he looks up with an expression that therapeutically suggests "Cool it."

As previously reported in connection with Ben's predecessor, the presence of a dog is comforting whenever a snippy secretary for some eminent icky inquires, "Who are you with, Mr. Greenberg?" I can reply, "I'm with my dog. Who are you with?"

In the corporate setting, the motivation for admitting dogs is the bottom line: Happy workers make more money for their bosses, and a beloved dog nearby, rather than locked up at home, contributes to worker happiness. The trend is most advanced in the economically sizzling Silicon Valley, where job seekers enjoy an abundance of options. And more are opting for jobs that welcome dogs in the office.

The march of dogs inevitably evokes fear-mongering by dog haters, who bring up dirt, combativeness and other unpleasantness as reasons for excluding dogs. Their arguments are nonsensical. If dogs fail to behave properly they should be barred — as usually is the case with people who misbehave.

Also, I can attest that, like Americans, the Dutch have a creative and strong economy and live comfortably. In fact, they enjoy a quality of life superior to that in the United States.

J. DONALD OSTROW, Amsterdam

He forgets that there have been mass migrations to Europe, Asia and South America, as well as among and within these continents.

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But public opinion first must be mobilized against the outdated and unrealistic "health" regulations that exclude animals from public dining facilities. The progress so far proves that with unrelenting pressure it can be done.

The writer is editor at large of *Science & Government Report*, a Washington newsletter. He contributed this comment to *The Washington Post*.

LETTERS TO THE EDITOR

Helping Algeria

Regarding "Algeria's Terror" (Editorial, Jan. 10):

The editorial was incorrect in stating that Mary Robinson, the United Nations High Commissioner for Human Rights, "is offering to mount a serious on-site inspection of the Algerian scene."

The high commissioner has expressed her concern a number of times about the level and nature of the violence in Algeria and has welcomed the recent statements of concern by the European Union, the United States and Canada. However, she has not herself proposed to carry out an inspection.

Instead, Mrs. Robinson has given her support for visits to Algeria by the special rapporteur on extrajudicial, summary or arbitrary executions and by the special rapporteur on torture. These independent human rights experts, with mandates decided by the 53 governments of the Commission

on Human Rights, had expressed their wish to visit Algeria well before the recent upsurge in killings. Their reports go to the commission and to the United Nations General Assembly.

The high commissioner believes human rights are properly a matter for international concern; shares the widespread dismay at the loss of life and devastation to communities, and supports efforts to engage the Algerian government in a manner that will improve the protection of the people in that country.

JOHN MILLS, Geneva

The writer is a spokesman for the United Nations High Commissioner for Human Rights.

Immigrants' Strength

Regarding "Why America Is Doing So Well" (Opinion, Jan. 5) by Charles Krauthammer:

I endorse Mr. Krauthammer's

view that the continued strength of America, over two centuries, is attributable in large part to the continuous infusion of new blood by immigrants who have the extra "something" that leads them to give up what they know and to travel in search of a better future.

I disagree, however, with Mr. Krauthammer's implication that this flux of immigrants has left the rest of the world with less dynamic people ("Europe and Asia are populated by the folks the gamblers left behind").

He forgets that there have been mass migrations to Europe, Asia and South America, as well as among and within these continents.

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INTERNATIONAL

Opposition to IMF Loans in Asia Mounting in U.S. Congress

By Lizette Alvarez
New York Times Service

WASHINGTON — The Clinton administration is facing a growing wave of congressional opposition from conservatives and some liberals over its plan to bail out financially ailing Asian countries by funneling billions of dollars through the International Monetary Fund.

Representative Bill Archer, the chairman of the House Ways and Means Committee, said in a broadcast interview that Congress would take a close look at the IMF loans to Indonesia, South Korea

and Thailand when it returns from recess at the end of January.

"I think Congress is going to look at it very carefully, and weigh the conditions that are put in by the IMF to determine whether it truly does stabilize these countries and whether it is in the best interest of this country," Mr. Archer, Republican of Texas, said. "I think it's still an open issue."

To that end, Senator Lanch Faircloth, Republican of North Carolina, called Republican aides to a meeting on Wednesday to rally support against the administration's request for \$18.5 billion for the Fund. At the meeting, Mr. Fair-

cloth, a critic of the loans, will be briefed by experts about the IMF and developments in Asia.

The next day, Representative Bernard Sanders, a Vermont independent, plans to hold a second meeting, together with an environmental group, to unite critics of the policy from both parties.

The announcements Sunday followed by a day a statement by Senator Alfonse D'Amato, Republican of New York, that chairman of the Senate Banking Committee, that his panel would hold hearings on Jan. 26 on the rescue loans.

"I have some very serious reservations about the current U.S. policy and

the readiness with which we are providing funds to bail out some very undisciplined investors," Mr. D'Amato said on CNN.

The Clinton administration wants Congress to approve legislation that would make an extra \$3.5 billion available to the monetary fund for emergency lending, and \$1.5 billion to help replenish depleted fund accounts. The monetary fund put together the rescue plan during the last six months to help Asian markets.

Opponents say taxpayers should not be compelled to bail out countries that are responsible for their own economic problems.

But in a gesture of solidarity, the leader of the minority Democrats in the House, Dick Gephardt of Missouri, spoke up in favor of the policy and urged Democrats to work with the Clinton administration to ensure that the International Monetary Fund gets the money it needs.

Mr. Gephardt led a fight last year against President Bill Clinton's request for enhanced trade-negotiating authority.

"There's no sense for us in having these countries go bankrupt," he said. "It will hurt our workers. It will hurt our markets."

Cohen Rejects Curbs on U.S. Forces in Asia

Reuters

KUALA LUMPUR — The U.S. military will not accept any restrictions on its freedom of movement in the Asia-Pacific region, even from well-intended friends and allies, Defense Secretary William Cohen said Monday.

"I would like to be very clear in stating the United States will not support initiatives that would either undermine our operational flexibility or constrain our military posture," he said at a forum of political and defense experts in the Malaysian capital.

Mr. Cohen said flexibility of movement was vital to the effectiveness of U.S. warships and other forces, which he termed a bulwark of security and prosperity in Asia.

He said that the Pentagon was concerned about informal proposals for confidence building measures.

U.S. officials said such measures, put forth by some officials of the Association of South East Asian Nations, could require advance notice of the size and timing of U.S. force movements.

Responding to questions from reporters, Mr. Cohen declined to be more specific. But a senior official with Mr. Cohen on a 12-day tour of seven Asian states said that while such proposals were often "well intentioned," they were not productive.

"I must tell you we do have some concern about certain proposals for military confidence-building measures that are sometimes circulated. And they are measures that could lead to operational constraints on our military presence in the region," he said.

"Our value to our presence in the region depends upon our operational flexibility and the reassurance and deterrence that that flexibility provides."

Mr. Cohen said that the United States appreciated basing rights and other military support provided by members of ASEAN and other allies in the region, and that Washington would welcome additional support.

He stressed that the United States was a friend of Asia's and would remain so even in times of economic turmoil, such as in recent months.

Mr. Cohen held talks Monday with Malaysia's prime minister, Mahathir bin Mohamad.

The secretary will wind up the first leg of his tour on Tuesday and fly to Indonesia for security talks with President Suharto on Wednesday. He will later go to Singapore, Thailand, China, Japan and South Korea before returning to Washington on Jan. 22.

He flew to Malaysia on Sunday from Washington at the start of a major security tour that will include talks with leaders throughout the region, including President Jiang Zemin of China.

The secretary stressed to reporters traveling with him that the United States was a major economic and security figure in Asia and that 100,000 U.S. troops would remain in the Asia-Pacific region for the foreseeable future.

He is in the region chiefly to discuss military and security issues, at the same time that Deputy Treasury Secretary Lawrence Summers is in Asia to hammer home the point that the financial crisis can end only with reforms.

MARKETS: Asia Stocks Take Pounding

Continued from Page 1

Down to its lowest level in two months, quickly drew bargain-hunters into the market. By the end of trading, the Dow was 66.76 points higher at 7,547.15.

Across Europe, most major stock indexes fell 2 percent to 3 percent before being pulled back from their worst losses, Reuters reported. (Page 13)

Global bonds gained as investors switched from fixed-income securities from stocks, with benchmark yields across Europe setting new lows and the 30-year U.S. Treasury yield touching its record, Bloomberg News reported.

In Asia, the Indonesian rupiah led a fall of regional currencies by dropping as much as 12 percent and dragging the Thai currency to a new low against the dollar. The Malaysian ringgit and Singapore dollar also fell.

Fear of speculative attacks on the Hong Kong dollar and a sharp rise in prime lending rates in Hong Kong also undercut the stock market there.

The higher rates will hurt companies with loans outstanding. They were raised to 10.25 percent Friday, but they could be lifted even further if the Hong Kong dollar, Asia's last dollar-pegged currency, comes under speculative attack.

The founding of Peregrine, along with the decline Friday in U.S. markets, combined to bring down the Singapore stock index by 8 percent, the Taipei index by nearly 5 percent and the Tokyo index by 2 percent, traders said.

Singapore stocks were also pulled down by worries about further economic and political turmoil in nearby Indonesia, the traders said. While sentiment swayed Taiwan stock players on Monday, analysts in Taipei said the island's economy was dynamic enough to withstand the changed circumstances.

"Taiwan's economic growth relative to the region will be good," said Liu Chitung, head of research at SBC Warburg Dillon Read in Taipei. "But in absolute terms, not even the United States will escape at this point."

He added that the Taiwan dollar was not likely to depreciate against the U.S. currency and that the 10-day Chinese New Year holiday, starting Jan. 23 would help restore calm to Taiwan's markets.

But some warned that with a sharp Asian economic slowdown under way, there was plenty of room for stocks to fall. "Hong Kong and Taiwan both went down today for all the right reasons, and those reasons will persist long after Peregrine drops out of the headlines," said

Bill Kaye, managing partner of the Pacific Group's Asian Hedge Fund. Mr. Kaye said both Taiwan and Hong Kong faced an erosion of competitiveness in export markets because their currencies had remained strong relative to those in the rest of the region. They will both also suffer from a slowdown of the Chinese economy, he added.

The two bright spots among the region's equity markets came in the countries that have faced the most precipitous decline in currency values: South Korea and Indonesia.

Soul stocks rose for the ninth time in 10 days on hope that the country is emerging from its financial crisis as the government and international creditors bailed out a debt refinancing agreement. The Jakarta Stock Exchange was lifted 2.1 percent as President Suharto met with Stanley Fischer, deputy managing director of the International Monetary Fund.

■ Firm Sees Market Bottoms

Morgan Stanley, Dean Witter, Dickey & Co.'s top strategists said world markets might be close to bottom, even as economic turmoil in Asia continues, Bloomberg News reported.

"Many markets are down 90 percent or more since the crisis began," said Barton Biggs, the firm's chief global strategist, during the firm's Monday strategy session in New York. "This financial panic indicates to me that the bear market is in its final stages — since historically, market breaks usually don't run more than 90 percent, even in the biggest bubble markets."

Mr. Biggs said he would not recommend buying Asian stocks yet. "Some time this week or next, I think some great buys will surface in Asia," he said. "although we are probably still in the eye of the storm at that point, and it is too early to buy aggressively."

It is not too early to buy U.S. stocks, said Byron Wien, Morgan's director of U.S. investment strategy. In the same meeting, he recommended energy, financial and technology stocks.

"The U.S. market is getting to look cheap on valuation measures," he said. Mr. Biggs does not share Mr. Wien's optimism about the U.S. market. He said markets in the U.S. and Europe could decline 20 to 30 percent from their highs as corporate failures in Asia slowed worldwide economic growth.

Philip Segal in Hong Kong contributed to this report.



A suite at the Las Vegas Hilton, where the world's wealthiest gamblers receive invitations to stay.

VEGAS: Staking Out the High Rollers

Continued from Page 1

money than ever courting people like Mr. Willis, who is considered a premium player, and Mr. Packer, who is in a top tier of gamblers known as whales.

Premium players, who typically wager from \$100,000 to \$250,000 a visit, number in the thousands. But whales, who gamble more than \$1 million per visit and who may have lines of credit up to \$20 million and win up to \$26 million in one visit to a casino, number only about 250 in the world, those who recruit them say.

The competition for the top high rollers is global, and because wealthy gamblers are also aggressively pursued by Asian and Australian casinos, American casinos "are trying to compete with these markets in a way that has never been seen before," said Rohin Farley, a gaming industry analyst at BTI Alex Brown Inc. "A lot of capital is being invested in high-end play."

Along Las Vegas Boulevard, temples of opulence are rising to attract wealthy gamblers. The Las Vegas Hilton recently spent \$44 million to build three suites to house its biggest bettors, and Caesars Palace, another favorite of high rollers, spent \$13 million on two luxury suites.

Mirage Resorts recently spent about \$150 million on art, including paintings by Picasso, Monet, Cezanne, Van Gogh and Renoir. They hang behind the frosted-glass doors of the Mirage's high-stakes gambling room, but next year the company plans to move the paintings to the Bellagio, a \$1.8 billion hotel and casino it is building to cater to big spenders.

Farther down the Las Vegas strip, at the MGM Grand, a \$700 million redevelopment project will include a building boasting 30 private villas called the Mansion, where guests can step into a gigantic courtyard that appears to be outside but is actually enclosed under a climate-controlled dome. "Even the air they breathe will be exclusive," Ms. Farley said.

To stay close to some of the world's richest gamblers, major U.S. casino companies have offices in Hong Kong, Taiwan, Singapore and São Paulo.

Because so many high-stakes gamblers come from Asian countries, industry executives and Wall Street analysts are trying to gauge what effect Asia's deepening economic crisis will have on the casino business.

"Will the currency crisis beach the whales?" Ms. Farley wrote in a research report.

The president of Caesars Atlantic City, Mark Juliano, said, "Anybody who tells you the economic crisis is not going to have an effect on their business has got to be kidding."

So far, there are few signs that the competition for premium gamblers and whales is slowing. Well-paid marketing executives, or "player development" people, continue to travel around the world, calling on wealthy gamblers, offering them expensive gifts, corporate jets to fly them to the casinos, lavish accommodations, huge discounts on credit for gambling and a discount on their losses. Once the gamblers are on the casino premises, 24-hour butlers are at their service, and personal hosts cater to their every need.

The places most frequented by

whales and premium players in Las Vegas are the Mirage, the MGM Grand, Caesars Palace and the Las Vegas Hilton. The whales are not sighted in Atlantic City as often, but the Taj Mahal and Caesars are their preferred destinations there.

"We roll out the red carpet," said Kurt Onchida, spokesman for The Venetian, a \$2 billion Las Vegas hotel and casino that is currently under construction with plans to focus especially on premium gamblers. "These people are treated like princes and royalty during their stay."

One of the most widely recognized and wealthiest whales in the world is Mr. Packer, the media tycoon and financier who is one of Australia's richest citizens.

Other well-known whales include members of Malaysia's Quek family.

which has holdings in real estate, banking and manufacturing; the Saudi arms dealer Adnan Khashoggi, who, according to one casino executive, arrives in town with an entourage that includes his barber and masseuse; and Sultan Muia Hassanal Bolkiah of Brunei, one of the world's richest men. One Las Vegas casino executive said the sultan placed \$250,000 chips all over a roulette table for each spin.

PEREGRINE: Leading Investment Bank Collapses, a Victim of Cronyism and Asian Financial Meltdown

Continued from Page 1

key political mover as the vice-chairman of the ruling Golkar Party. Among other business interests, Mrs. Rukmana controls an Indonesian toll-road company, and when she decided to lend her name — and patronage — to a local taxicab entrepreneur as part of an equity swap, Peregrine's troubles then began.

The taxicab franchise holder is Yopie Widjaja, an ethnic Chinese-Indonesian educated in Australia with grandiose plans and a reputation, among those who know him, as a smooth-talking wheeler-dealer.

Philip Tose and Peregrine gave money to Mr. Yopie — lots of it, about \$260 million of cash, in the form of an unsecured bridge loan, as the cost of underwriting bonds in Mr. Yopie's Steady Safe taxicab company.

Mr. Yopie had big dreams of becoming a "transportation czar," as one broker put it. His ambition was to create a series of car ferries linking the islands of Indonesia's sprawling archipelago.

Mr. Yopie took Steady Safe public around 1994, and its stock soon soared — particularly after Mrs. Rukmana gave him the Suharto family's tacit seal of approval. Then, to finance his big plans, he decided in 1996 to go to the off-shore bond market, and he needed a big-name underwriter.

"He's done a lot of road shows around the world," said an economist in Jakarta who knows Mr. Yopie. "and he sucked in a lot of good investors."

How Peregrine got sucked in by Mr. Yopie is one of the remaining mysteries of the Peregrine saga. His Steady Safe company's stock was high enough at the time to make it seem a good risk.

More likely, it was the Suharto connection, through Mrs. Rukmana, that made Steady Safe seem a steady and safe bet for Peregrine, which had a reputation in Asia for aggressive risk-taking, particularly in the relatively new but lucrative currency and debt markets.

The head of Peregrine's "debt team" is an American, Andre Lee, who came to Peregrine from Lehman Brothers. Under Mr. Lee's direction, Peregrine won the job of selling the "Steady Safe" bonds, after agreeing — incredibly, say rivals in the industry — to underwrite them to the tune of a \$260 million bridge loan. That amount represents a third of Peregrine's capital.

Mr. Lee is described as an aggressive player in the Asian debt, or "dragon bond," market. But they also say that Mr. Lee is no Nick Leeson, a reference to the rogue trader who's secret dealings in Singapore brought down Barings PLC. Mr. Lee's superiors at Peregrine most certainly were involved in all his decisions, analysts say.

"This had to go to Philip Tose — what the hell was he thinking?" said an analyst in Jakarta. "On a strictly financial basis, it doesn't make any sense — unless Philip Tose was up to something else."

The analyst added, "I'm totally baffled."

Another analyst at a risk consultancy said, "I really don't know why they would have done that."

Added another chief researcher with an established brokerage in Hong Kong — one with long experience in Indonesia and who knows Mr. Yopie and the other players well: "Steady Safe was a company backed by Suharto's daughter."

British Doctors Say Raw Meat Is Dangerous

Agence France-Presse

LONDON — The British Medical Association warned Monday in a report to members of Parliament that all raw meat should be considered infected and a possible source of food poisoning.

The warning comes just days before release of a government study on a proposed new food-control agency in light of fears of "mad cow" disease spreading to humans and epidemics of salmonella and E. Coli poisoning.

It said that the number of cases of food poisoning was at its highest ever in 1997, with 1 million people infected by salmonella or E. Coli bacteria and 200 people dying as a result.

The only safe approach for the food industry and general public is to treat all raw meat as infected and adopt universal precautions in handling and cooking raw meat," the report said.

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It said that the number of cases of food poisoning was at its highest ever in 1997, with 1 million people infected by salmonella or E. Coli bacteria and 200 people dying as a result.

"This is what is happening now."

He said that he expected strong resistance from those with vested interests.

"But we don't have another choice," Mr. Sumitro added. "If we want to get out of this crisis, we must act immediately and firmly to attack these institutional diseases in a more focused manner."

As a result of Mr. Suharto's assurance Monday, the IMF expects to reach an agreement by Thursday in negotiations with a panel of key government ministers that will demonstrate Indonesia's commitment to change.

Style

TOMORROW:
STAGE

From left: Jil Sander's short-felted coat and canvas pants; Gianfranco Ferre Studio's soft-tailored jacket (top), Cerruti's industrial nylon and flannel parka (middle), and Emporio Armani's silver-flashed raincoat and soft pants (bottom); Dolce & Gabbana's thick, light coat and low-slung pants; and Valentino's velvet suit.

By Suzy Menkes
International Herald Tribune

MILAN — The thick, felted, but featherlight fabrics that are dominating the new men's wear season are a metaphor for what is going on in fashion.

Although Italy carries its clout lightly, it is now indisputably fashion's international heavyweight. When Calvin Klein of New York puts his fall men's collection on the Milan runway on Wednesday, it will be proof that a designer who wants the global consecration of media and buyers has to show during the Italian season.

The might of the country's fashion was shown over the weekend, when an emotional Valentino announced his \$300 million deal with the Italian holding company HDP, whose GFT division produces his line. The marriage is intended to create a global fashion business to rival French luxury companies.

Another significant event has been the defection of Jean Paul Gaultier and the Belgian designer Dirk Bikkembergs from Paris. The increasing internationalization of the Italian shows means that Donna Karan is in town with her menswear collection, and the German-based Jil Sander had the opening slot in the Monday showings.

What is the secret of Italy's success? Whereas the manufacturing machine

Light and Heavy in Milan Menswear

Heavyweight Designers Turn to Featherlight Fabrics

that rolls out high-quality clothes for international designers tends to make the Milan women's collections beautiful but bland, paradoxically it has a beneficial effect on creative menswear. What might be weird turns elegant.

Sander proved that with the sophisticated simplicity of her collection. Working in felted fabrics as thick and misty as a cumulus, and in shades of cloud gray, she streamlined the short coat, the round-collared jacket and once lumpy tweeds into linear shapes and subtle mixes of color and texture.

"We wanted to make clothes to our personal tastes — what we want in our own wardrobes," said Stefano Gabbana backstage. Among the covetable looks were thick, light alpaca sweaters in dominating gray shades; jackets modeled to the torso with two high buttons; short fitted coats in tweed or shiny leather. All were shown with velvet, or even pin-striped, flat鼠鼠 that gave a funky touch.

Sander's story was seduction and his prose was purple. Out of shadow pools

of blue and gray, gave depth to the simple, modern clothes.

Dolce & Gabbana offered a very fine take on fabrics as thick as felt but as light as thinsilk. Playing with proportions, they created a close-to-the-torso top half above pants that circled the hips in a tight embrace, before loosening up below. The result was cheeky and sleek, even when different tweeds made a stout patchwork of pants. This fabric mix was part of an homage to traditional menswear. It could mean anything from classic pinstriped suiting to a sweater traced with embroidered flowers.

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Valentino's story was seduction and his prose was purple. Out of shadow pools

into the spotlight stepped sultry figures in ink blues and violets: deep-pile velvet suits; swagging tailcoats flashing purple linings; necks nesting in funnel collars. "Individuality is uniformity" was the obscure message projected across the ever-changing images on the backdrop.

If the urban sexiness and the style of presentation gave a nod to Gucci, Valentino made the look his own by cutting the silhouette, and especially the pants, close to the body and making all the decoration linear, from the stripes furrowing knits, through the herringbone tweed coats and classic pinstriped suits.

"Skinny but elegant," said Valentino, as he and his partner, Giancarlo Giammetti, received congratulations backstage for the financial deal that the designer said made him "feel great."

Krizia's Aldo Pinto voiced the anxieties of managers in the luxury fashion business about what will happen to the lucrative Asian market. Krizia made its come with knitwear, and that remains

the most creative part of the collection with sweaters given textured effects or boldly outlined camouflage markings. They were inspired by a down-in-the-forest theme that also brought mossy velvets and mohairs. The unifying story of disparate menswear elements was comfort.

Cerruti's mix of the industrial and the luxurious didn't quite come off, although soft flannels lining laminated parkas literally gave the clothes an edge. Other contrasts included soft sweaters with tough cargo pants, a luxurious camel coat with a hairy brushed surface and Velcro fastenings on tailoring. Shades of (you guessed it!) gray pulled the show together.

Giorgio Armani put his Emporio Armani and jeans line on the runway Monday, in order to emphasize the whimsical, sporty style that distinguishes it from his main collection. Slouchy pants, dark-hued velvets and wrapped knits, and cuts a cut asymmetrically with a slit neck shirt made for a swashbuckling coat or an impeccably tailored jacket. That is when madcap British design is manifested by a shot of Italian fashion sanity.

new store in Paris on the Champs-Elysées Boulevard Saint Germain next week.

Gianfranco Ferre, who is celebrating 20 years of his label in 1998, showed on Sunday the Studio line he creates for textile giant Marzotto. A symphony of touchy-feely gray tailoring, rustic country browns and short sporty coats showed Ferre at his best: creating sportswear without fussy details.

Since Ferre gave up his role at Dior in Paris, he has concentrated on expanding his Milan business, according to Silvano Storer, the chief executive of Marzotto, who said that the company was taking "the consumer as the reference point."

There is sober, business-conscious Italian fashion. And then there is Vivienne Westwood, going her own sweet way as a perennial fashion subversive who sees men entirely as sex objects.

Well, why not? Maybe it is time that men had the tables turned on them by being forced to show a leg in pants curved to the thigh or the ankle. ("Comedy" or "tragedy" trousers, Westwood called them, with English irony.) Much of what she shows is too much: the plumed headdress, the Venetian mask makeup, the snuff-snorting models and the spangled shirts and underpants. Yet there is a bravura to her shows that occasionally comes off as a swashbuckling coat or an impeccably tailored jacket. That is when madcap British design is manifested by a shot of Italian fashion sanity.

Raf Simons: A Versace Possible?

MILAN — Six months after the killing of Gianni Versace, his sister Donatella has approached Raf Simons, 29, a hip Belgian menswear designer who is one of fashion's rising stars.

According to sources in Belgium, a deal for Simons to contribute his edgy tailoring to the Versace design studio could be struck by the end of the month, after the designer presents his menswear show in Paris on Jan. 23. But a spokesman for Versace said that such speculation was unfounded.

Contacted at his Antwerp studio on Monday, Simons said that discussing an appointment was premature, that the idea of working with Versace "interested him a lot," but that it was too early to say when and if plans would be concretized or even which of the several Versace menswear lines was under discussion.

Although Simons's provocative look, with sly references to punk and to classic English schoolboy uniforms, might seem too downtown for the glam-rock Versace label, it could be a smart move to tap a designer who would reflect the style of a coming generation.

Simons is also a sensitive and sophisticated tailor who cuts "the perfect modern pants," according to the designer boutique-owner Maria Luisa



From Simons's summer collection.

1990s. He studied industrial design and graduated in furniture, which brought him into contact with Belgian fashion's Walter Van Beirendonck.

Simons, who says he has "a lot of respect for traditional clothing," approached a revered Antwerp tailor and learned from him how to cut a silhouette close to a slight boyish frame, rather than to the bold, muscled body shape more typical of 1980s menswear, when Versace made a broad-shouldered impact.

Starting in a small way three years ago, Simons set up and financed his own company, which he says he wants to keep whatever the outcome of negotiations.

"The most important thing for me is that I keep the possibility to do my own thing as it is at the moment," Simons said. "It is also important for me that there is a certain kind of luxury in the technical things."

Versace's current menswear is produced by Donatella Versace and her husband, Paul Beck, working with a team of designers.

A source in Antwerp suggests that Simons and fellow Belgian women's wear designer Veronique Branquinho could have been approached jointly, but there seems no evidence for this.

Suzy Menkes

CROSSWORD

1 Setting for the lingo in today's theme	21 [] []	22 "Pomp and circumstance" composer
2 Oral Roberts University site	23 Oral Roberts	23 — we forget
3 Brick material	24 —	24 ...
4 Cutting remark	25 Terzan portrayer	25 as iron
5 Tilt	26 Requested sweetener	26 Frankie who sang "Moonlight Gambler"
6 Bonheur or	27 Entertained	27 Gardening tool
7 NASA satellite launcher	28 Physics unit	28 German industrial region
8 Birthplace of seven Presidents	29 Elephant Boy of 30's film	29 Union leader John L. —
9 T	30 Hippodrome	30 Growing outward
10 Thomas Moore's land	31 Contemptuous look	31 So-Day War leader
11 Indicates assent	32 Certain Ford, for short	32 "Sigh!"
12 Bonheur's peace partner	33 Call — day	33 Spell-off
13	44 Saw-toothed	34 Birthright

Solution to Puzzle of Jan. 12

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Monday's 4 P.M. Close

The 2,600 most traded stocks of the day.
Bomwide prices not reflecting late trades elsewhere.
The Associated Press.

THE ASSOCIATED PRESS.

The Associated Press.

Germany
going bear
of Euro
after court
participation

Our first 200 years
as private bankers

Trust in the art of asset management

Lombard Odier

11, rue de la Corraterie - 1204 Geneva - Switzerland

CURRENT

In Germany, Voicing Fear Over Euro

Petition Urges Court To Halt Participation

By Alan Cowell
New York Times Service

BONN — In a quixotic tilt at the great windmill of Chancellor Helmut Kohl's most cherished vision, a prominent group of lawyers and former bankers petitioned the country's highest court Monday to prevent Germany from joining Europe's proposed single currency, the euro.

Legal experts gave the 300-page petition — handed to the doorman at the Constitutional Court in Karlsruhe — little chance of success. But its arguments nonetheless crystallized the peculiar ambivalence in German attitudes to the idea of abandoning the German mark — 50 years old this year and the emblem of postwar prosperity and security.

Mr. Kohl has steamrollered the idea of European monetary union as the centerpiece of his diplomacy, insisting that the creation of a euro transcending national frontiers will guarantee the continent the peace in the 21st century that eluded it so conspicuously in the 20th.

But many Germans have much less faith, opinion polls show, fearing that, with the euro, they will trade a currency based on Europe's traditional powerhouse for one that is prey to the vagaries of other participant economies perceived as less robust — notably that of Italy, where Germans would rather spend their vacations than their savings.

Monday's court petition was a particularly timely reminder of those concerns before European Union leaders meet in May to finalize the list of participants.

Before then, European officials in Brussels are to report in March on which would-be participants have met the union's economic criteria for membership. The linkage of European currencies in a euro zone is to begin in a year, although the mandatory use of euro notes and coins is not scheduled to start until 2002.

The petition, drawn up by four plaintiffs, argued that the economic criteria had not been met in Germany and that the introduction of the euro would infringe basic German constitutional rights to economic stability.

Additionally, it said, by ceding chunks of national economic sovereignty to a proposed European central bank, the introduction of the euro would counter the constitutional right of Germans to "substantial representation" of their interests by Parliament.

The Constitutional Court is the final arbiter of issues relating to Germany's Basic Law — the postwar constitution — and has endorsed such major issues as the deployment of German troops outside the NATO area, and, in 1993, the legality of the European Union's Maastricht Treaty, which cashed in the proposal for the euro and the economic criteria for participation.

The petition was the fourth of its kind to be lodged with the Constitutional Court but is by far the most publicized. The plaintiffs include Karl Albrecht Schachtschneider, a law professor from Nuremberg, and Wilhelm Nolling, a former council member of the Bundesbank, Germany's central bank.

In the petition, they argue that the euro will mean an effective devaluation of Germans' money, even greater unemployment than the record 4.5 million recorded last week and immense cash transfers to poorer euro countries to sustain their economic viability.

The petition seeks a temporary injunction to block Germany's participation — crucial to the entire venture. "We are seeking this ruling to prevent the government from deciding to join the European monetary union in May," Mr. Schachtschneider told reporters. It was not clear when the court would respond.

According to a newspaper report, the text of petition is soon to appear in less legalistic form — as a paperback book.



The plunge in Hong Kong stocks rattled nerves Monday from Asia to Europe. The key indexes in London, Frankfurt and Paris all ended lower.



In Europe, Stocks Trim Their Losses

Wall Street Rally Eases Market Jitters Over Asia

Compiled by Our Staff From Reuters

LONDON — European financial markets breathed a sigh of relief Monday as U.S. investors took only passing notice of an overnight rout in Asian stock markets.

The Dow Jones industrial average opened with losses of more than 100 points but soon pulled back and dragged European exchanges up from their worst losses. By the time European trading closed, New York was down just 33 points, or 0.44 percent. At the close, the Dow had rebounded to show a gain of 66.76 points at 7,647.18.

"The market is groping for direction here," said Chris Dickerson, market analyst at Global Market Strategists in New York.

He called the market oversold and said that, barring any major bad news from Asia, there should be some sort of relief rally during the kick-off this week to the earnings season.

Analysts believed Wall Street's sanguine reaction to overnight bloodletting in Asia was crucial and helped calm jangled European nerves.

London, Europe's biggest bourse, reacted by pulling back from falls of almost 3 percent to close 1.33 percent lower.

In Germany, shares went into free fall at the start of trade and fell over 4 percent at one point before Wall Street gave Frankfurt some backbone and the main DAX index recovered slightly to close 3.53 percent lower for the day.

In Paris, the main CAC 40 index, which was down around 3.5 percent earlier, managed to claw its way back to end with a loss of 1.96 percent.

Europe's share sell-off was sparked by torrid trading in Asia's already battered markets, some of which shed more than 10 percent of their value at their lowest point, after Peregrine Investments Holdings Ltd. of Hong Kong said it was filing for liquidation.

Bonds were the main beneficiaries of the Asian rout as investors fled to safety. British gilts set a fresh high of 124, up 23/32, helped by relatively benign British economic data.

Russian stocks fell 14 percent Monday to hit their lowest level in 10 months as foreign investors, shaken by a new wave of losses in Asia and the United States, pulled out of the Russian market.

The sharp drop caused regulators to suspend trading an hour before Monday's close. The session resumed a hour later for the final 30 minutes of trading.

See NEW YORK, Page 15

Where's the Asian Action Happening? New York

Economic Crisis Is Reversing Perceived Decline of the City as a Global Financial Center

By Kirk Johnson
New York Times Service

America's biggest investment houses — almost all based in New York — have all contributed to a single, shared global insight: New York is where the money is.

The decline of world political tensions since the end of the Cold War has been a factor as well, experts say. A crisis that would once have raised the highest levels of alert within the State Department has been seen, in the 1990s, as simply an economic crisis and therefore more the concern of the capitalists in New York than the diplomats in Washington.

"The money is being more controlled now, and it's being controlled by New York," said Anthony DeCaro, an independent international trade consultant who has worked with many Asian governments.

There is a certain sweet irony for the city in all this. For many years, New York has supposedly been doomed to a future as one among many financial capitals. But the Asian crisis has highlighted the continued importance of a central economic hub. Government officials in South Korea could have gone anywhere for their economic hired guns, but they chose New York-based Goldman, Sachs & Co. and Salomon Brothers as their official advisers.

"We're in a very unusual position," said Jeff Bahrenburg, a global strategist and first vice president at Merrill Lynch. Eventually, he said, other financial centers and nations, especially Japan, will return to greater influence. "But in the interim it's going to force companies to come here to get financing," he said. "New York will be the main center."

Economists and financial experts are divided about what this might mean for the city, mainly because Asia's turmoil is so volatile and its implications so mixed.

Some New York-based banks, for example, have already been hurt by bad Asian loans. Sales to investors of international stocks and mutual funds are expected to decline, and tourism from Asia to New York has slowed to a trickle. Companies that import goods from South Korea have been hit by crosscurrents: Imports are cheaper because of the currency changes, but Korean producers are more anxious for payment. At the same time, their sales have shrunk because their customers, Korean immigrants, have been sending millions of dollars to relatives back home.

But the major potential effects on the city, the experts say, are all yet to come — it is simply too early in a rapidly evolving story to detect them. The important thing, they say, is that New York is in the game and calling the plays. Some firms may get a windfall from the billions of dollars in fees that are expected from bond sales, restructured debts and rewritten legal trade agreements.

For example, Coudert Brothers, a law firm based to New York and specializing in international trade, has already seen an increase in business, mainly from export and import contracts that have suddenly had to be amended.

The volatility of the world's money has also boosted activity at currency trading desks, where billions of dollars change hands on fractional changes to values. Opportunities have also emerged for companies with profits to invest. Merrill Lynch recently expanded its presence to Asia by buying some assets of a big Japanese investment house.

"There is potential for a lot of positives," said Richard Strauss, a financial services analyst at Goldman, Sachs who follows the securities industry. He said one of the main effects of the Asian crisis in the United States, falling interest rates, might cause a boom in re-

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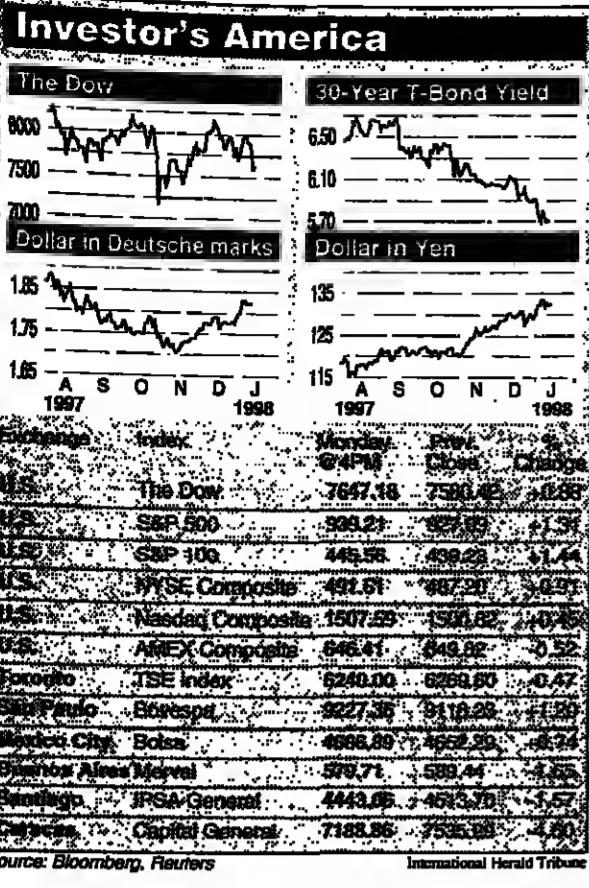
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THE AMERICAS



Computer Stocks Lift Wall Street Out of Asian Turmoil

Compiled by Our Staff From Dispatches

NEW YORK — U.S. stocks rose Monday for the first time in five days as investors snapped up beaten-down computer shares and influential Wall Street analysts suggested that the impact of Asia's troubles on U.S. corporate troubles would be muted and might offer buying opportunities soon.

Intel and Microsoft led the market's rebound from losses early on that were fueled by tumbling Asian markets.

Stocks were helped by positive

comments from Abby Joseph Cohen, a stock strategist at Goldman, Sachs & Co., who has been correctly bullish through the past three years' rally in stocks. Barton Biggs, chief global strategist at Morgan Stanley, said the bear market in Asia may be in its final stages, and Byron Wien, Morgan's U.S.

strategist, urged investors to buy U.S. stocks "selectively."

The Dow Jones industrial average rose 66.76 points to 7,647.18, after sliding as much as 137 points early in the session. The New York Stock Exchange imposed its "downfall" rule at 1:14 P.M. Eastern time when the Dow rose 50 points. The rule curbs computer-guided trading in an attempt to limit volatility.

The technology-heavy Nasdaq composite index was quoted up 4.37 points at 1,507.59.

The benchmark 30-year bond rose 3/8, pushing its yield down 3 basis points to 5.70 percent. Yields earlier fell to 5.66 percent, the lowest since the Treasury began regular 30-year bond sales in 1977.

Intel got an additional boost from expectations that its fourth-quarter profit report, scheduled for release

on Tuesday, will exceed forecasts. "People expect them to make the quarter, which is a better outlook than people expected a few weeks ago," said Ray Hirsch, director of

Stratagys in Darien, Connecticut.

Stratagys fell after the company said fourth-quarter profit would be substantially below estimates, partly because of weak sales in Southeast Asia and Europe.

"I think it's going to take a while to work through," said Andrew Brooks, vice president in charge of equity trading at T. Rowe Price Associates in Baltimore, noting the effect of the Asia crisis on world stocks.

Banks with exposure to overseas economies slipped. J.P. Morgan, Chase Manhattan and BankBoston posted drops.

"Right now, there's just a lot of uncertainty as to how long, how

severe and how much of an impact the problems overseas will have on our economy," said Bill Meehan, chief market analyst at Cantor Fitzgerald & Co., a brokerage in Darien, Connecticut.

Stratagys fell after the company said fourth-quarter profit would be substantially below estimates, partly because of weak sales in Southeast Asia and Europe.

"What happens this month is often taken as a signal for what will happen for the year. Since 1950, January's performance — up or down — has accurately predicted the market's course for an entire year 9 out of 10 times.

The bias is usually up, thanks to a torrent of demand from holiday bonuses and annual contributions to retirement plans. But The latest data on mutual funds suggest that many investors are directing capital toward more defensive investments.

(Bloomberg, AP)

U.S. Court's Tax Decision A Blow to Multinationals

Bloomberg News

WASHINGTON — The Supreme Court refused Monday to wade into a dispute involving taxes for multinational companies, leaving intact a lower court ruling that could cost dozens of companies hundreds of thousands of dollars a year in additional U.S. taxes.

The court turned aside arguments by Bowater Inc. that it should decide a dispute over how international companies account for interest expenses when they figure how much income is subject to U.S. taxes and how much is assigned to foreign operations.

Bowater had challenged a federal appeals court's ruling in New York that effectively raised a company's U.S. taxes by cutting the amount of income that is credited to overseas sales.

Bowater's case, the dispute involved \$390,000 in contested tax liability after the Internal Revenue Service challenged the way the South Carolina paper manufacturer calculated interest expenses that were allocated to two subsidiaries.

The IRS said Bowater's method wrongly provided extra tax breaks under a program designed to encourage export sales.

The National Association of Manufacturers and the National Foreign Trade Council, trade groups representing hundreds of major companies that sell goods abroad, supported Bowater's unsuccessful

petition. They said that the issue had broader significance since the same interest-expense controversy plays a role in a number of other common tax calculations.

Under the accounting methods demanded by the IRS, and backed by the appeals court's ruling in Bowater's case, the groups said companies with foreign sales would generally pay higher taxes and would get smaller foreign tax credits or reduced benefits under some other federal tax-incentive programs.

The IRS defended its interpretation of the tax law and urged the Supreme Court to turn down the appeal because the Treasury Department has imposed new regulations that more clearly require the kind of accounting methods imposed on Bowater.

The dispute involved the proper way to calculate the size of a company's deductions for the amount it spends for interest on borrowed money in cases where a U.S. business must divide its income and business expenses among domestic and foreign sales operations.

The IRS says companies must take their total, or gross, interest payments and then allocate those expenses among domestic and foreign revenues.

Bowater and the trade groups said the calculations should instead be based instead on net interest expenses.

These Pirates May Go Public

Bloomberg News

PITTSBURGH — The Pittsburgh Pirates are considering a public stock offering, which would make them the first Major League Baseball team to offer direct voting shares to the public.

The Pirates are struggling to find ways to raise money to meet escalating player salaries and build a new stadium. Pittsburgh-area voters rejected a tax increase in November 1997 to pay the estimated \$700 million for two new stadiums for the Pirates and Pittsburgh Steelers.

"The stock issue is still preliminary," said Pirates Chief Operating Officer Dick Freeman. "It's still in the real research stage."

Dollar Rises Against Yen As Asian Woes Hurt Japan

Bloomberg News

NEW YORK — The dollar rose against the yen Monday as plunging Asian stocks and currencies and a report that loan defaults are on the rise in Japan fueled concern the nation would not emerge soon from a six-year economic slump.

The dollar rebounded after falling against the Deutsche mark after the Dow Jones industrial average changed little despite routs in Asian and European stocks.

"Everyone expected the Dow to crash off and it didn't happen," said John Parry, a currency trader at Creditanstalt Bankverein, who expects the dollar to rise to 135 yen in the weeks ahead.

At 4 P.M., the dollar stood at

132.75 yen, after 132.15 yen on Friday, but slipped to 1.8225 Deutsche marks from 1.8229 DM.

The dollar fell earlier against the mark on concern investors would sell U.S. stocks as diving currencies and stock markets in parts of Asia would trim demand in the region for U.S. exports and hurt companies

FOREIGN EXCHANGE

with investments there. International investors selling U.S. stocks often convert their dollar proceeds into other currencies.

Still, the yen has been underpinned by recent speculation that the United States and Japan would join forces and sell dollars to boost Japan's sagging currency.

The speculation began last week, when Eisuke Sakakibara, Japan's deputy finance minister for international affairs, met with U.S. finance officials. Yet no statements or action on exchange rates came after the meetings.

Traders were also soured on the yen after the Ministry of Finance said Monday that Japan's banks were holding 76.7 trillion yen (\$580 billion) in bad or questionable loans, almost three times the figure they reported previously.

Against other currencies, the dollar rose to 6,1030 French francs, from 6,0990 Friday, and to 1,4777 Swiss francs, from 1,4767 francs. The pound was at \$1.6215, after \$1.6127.

Federal-Mogul Agrees to Acquire Fel-Pro

Bloomberg News

SOUTHFIELD, Michigan — Federal-Mogul Corp. said Monday that it had agreed to acquire Fel-Pro Inc. for \$720 million in cash and stock as it strengthens its presence in the auto parts industry.

Federal-Mogul said it would pay \$495 million in cash and \$225 million in stock for the closely held maker of automobile gaskets. In addition, the company said it would take a pretax restructuring charge of \$15 million to \$20 million.

The transaction, expected to be

completed in the first quarter, continues Federal-Mogul's focus on its engine and sealing systems business, along with the planned acquisition of Britain's T&N PLC for \$500 million in cash and debt.

Fel-Pro, with 1997 sales of \$500 million, employs more than 2,700 workers in 16 locations in four businesses, including gaskets, diesel, chemical products and performance. Federal-Mogul, with annual sales of about \$2 billion, makes parts for automobiles, trucks, and farm and construction vehicles.

INTERNATIONAL FUTURES

Bloomberg News

CHICAGO — ORANGE JUICE INCINERATOR (CBOPT) 15,000 lbs. — cents per bushel. Jan '98 78.00 77.90 78.15 +7.25 208 Mar '98 78.00 77.90 78.15 +7.25 208 May '98 78.00 77.90 78.25 +5.00 208 Jul '98 78.00 77.90 78.45 +5.00 208 Est. sales: N.Y. 50,000 bushels 2,041 Pts open int: 26,217,000 up 5,642

10-YEAR FRENCH COV. BONDS (MATTF) 10,000 lbs. — cents per 100 pc. Jan '98 95.25 95.25 95.49 +5.25 208 Mar '98 95.25 95.25 95.49 +5.25 208 May '98 95.25 95.25 95.49 +5.25 208 Jul '98 95.25 95.25 95.49 +5.25 208 Est. sales: N.Y. 50,000 bushels 17,199 Pts open int: 402,890 up 17,199

ITALIAN GOVERNMENT BONDS (LIPPE) 100,000 lbs. — cents per 100 pc. Jan '98 112.25 112.10 112.57 +6.50 208 Mar '98 112.25 112.10 112.57 +6.50 208 Apr '98 112.25 112.10 112.57 +6.50 208 May '98 112.25 112.10 112.57 +6.50 208 Jun '98 112.25 112.10 112.57 +6.50 208 Est. sales: N.Y. 50,000 bushels 20,011 Pts open int: 37,048 up 4,548

COTTON 2 (PCOT) 50,000 lbs. — cents per lb. Jan '98 111.25 111.25 111.25 +11.25 208 Mar '98 111.25 111.25 111.25 +11.25 208 Apr '98 111.25 111.25 111.25 +11.25 208 May '98 111.25 111.25 111.25 +11.25 208 Jun '98 111.25 111.25 111.25 +11.25 208 Est. sales: N.Y. 50,000 bushels 14,287 Pts open int: 42,578 up 12,857

LIBOR 1-MONTH (CME) \$3 million — pts. Jan '98 12.00 12.00 12.00 +1.00 208 Mar '98 12.00 12.00 12.00 +1.00 208 Apr '98 12.00 12.00 12.00 +1.00 208 May '98 12.00 12.00 12.00 +1.00 208 Jun '98 12.00 12.00 12.00 +1.00 208 Est. sales: N.Y. 50,000 bushels 7,647 Pts open int: 37,031 up 7,647

HEATING OIL (HOM) 1,000 bbls. — dollars per bbl. Jan '98 45.70 45.70 45.70 +4.50 208 Mar '98 45.70 45.70 45.70 +4.50 208 Apr '98 45.70 45.70 45.70 +4.50 208 May '98 45.70 45.70 45.70 +4.50 208 Jun '98 45.70 45.70 45.70 +4.50 208 Est. sales: N.Y. 50,000 bushels 14,146 Pts open int: 42,578 up 12,857

EURODOLLARS (CME) 1,000 \$100 face value — cents per \$100. Jan '98 94.75 94.75 94.75 +0.25 208 Mar '98 94.75 94.75 94.75 +0.25 208 Apr '98 94.75 94.75 94.75 +0.25 208 May '98 94.75 94.75 94.75 +0.25 208 Jun '98 94.75 94.75 94.75 +0.25 208 Est. sales: N.Y. 50,000 bushels 12,795 Pts open int: 42,578 up 12,857

SILVER (SI) 5,000 oz. — cents per oz. Jan '98 12.00 12.00 12.00 +1.00 208 Mar '98 12.00 12.00 12.00 +1.00 208 Apr '98 12.00 12.00 12.00 +1.00 208 May '98 12.00 12.00 12.00 +1.00 208 Jun '98 12.00 12.00 12.00 +1.00 208 Est. sales: N.Y. 50,000 oz. 1,459 Pts open int: 197,455 up 4,548

BRITISH POUND (CME) 62,500 pounds — cents per pound. Jan '98 1.61 1.61 1.61 +0.01 208 Mar '98 1.61 1.61 1.61 +0.01 208 Apr '98 1.61 1.61 1.61 +0.01 208 May '98 1.61 1.61 1.61 +0.01 208 Jun '98 1.61 1.61 1.61 +0.01 208 Est. sales: N.Y. 50,000 pounds 4,459 Pts open int: 43,277 up 1,477

NATURAL GAS (CME) 100,000 cubic ft. — cents per mmbtu. Jan '98 2.020 2.020 2.020 +0.02 208 Mar '98 2.020 2.020 2.020 +0.02 208 Apr '98 2.020 2.020 2.020 +0.02 208 May '98 2.020 2.020 2.020 +0.02 208 Jun '98 2.020 2.020 2.020 +0.02 208 Est. sales: N.Y. 50,000 mmbtu 7,795 Pts open int: 192,143 up 20,000

LIGHT SWEET CRUDE (OMERO) 1,000 bbls. — dollars per barrel. Jan '98 14.70 14.70 14.70 +1.45 208 Mar '98 14.70 14.70 14.70 +1.45 208 Apr '98 14.70 14.70 14.70 +1.45 208 May '98 14.70 14.70 14.70 +1.45 208 Jun '98 14.70 14.70 14.70 +1.45 208 Est. sales: N.Y. 50,000 bbls 2,556 Pts open int: 16,224 up 2,556

GERMAN MARK (CME) 125,000 marks — cents per mark. Jan '98 51.25 51.25 51.25 +0.25 208 Mar '98 51.25 51.25 51.25 +0.25 208 Apr '98 51.25 51.25 51.25 +0.25 208 May '98 51.25 51.25 51.25 +0.25 208 Jun '98 51.25 51.25 51.25 +0.25 208 Est. sales: N.Y. 50,000 marks 1,152 Pts open int: 43,277 up 1,477

CANADIAN DOLLAR (CME) 125,000 dollars — cents per dollar. Jan '98 1.41 1.41 1.41 +0.01 208 Mar '98 1.41 1.41 1.41 +0.01 208 Apr '98 1.41 1.41 1.41 +0.01 208 May '98 1.41 1.41 1.41 +0.01 208 Jun '98 1.41 1.41 1.41 +0.01 208 Est. sales: N.Y. 50,000 dollars 1,779 Pts open int: 192,143 up 20,000

UNLEADED GASOLINE (INMEX) 40,000 bbls. — cents per barrel. Jan '98 51.25 51.25 51.25 +0.25 208 Mar '98 51.25 51.25 51.25 +0.25 208 Apr '98 51.25 51.25 51.25

Hot Sellers in China: Papers That Cater to Consumers

By Erik Eckholm
New York Times Service

BEIJING — In her neat gray turtleneck, metal-frame glasses and black-and-white Swatch watch, Sang Yan, 27, well educated and thoughtful, could easily fit in on Manhattan's Upper West Side.

She is stylish and aware, and loves to shop. But her shopping is bittersweet, because she must operate co such a stiff budget. Her job — organizing international exhibitions for a government-owned textile company — gives her take-home pay that is the equivalent of \$182 a month.

While that is double the wage of most workers and even many college professors, it does not buy many designer shoes.

What Miss Sang does buy twice a week, along with 200,000 other Beijing residents for just 12 cents an

issue, is the glossy, ad-packed newspaper called *Fine Goods Shopping Guide*. In the last couple of years this tabloid and a similar one called *Shopping Guide* have become among the hottest-selling items on Beijing newsstands.

They are the purest evidence that a new generation of Chinese has entered the global consumer culture, whether all can afford it or not.

"It's this way," said Wang Xiaolian, 35, who makes a modest living as a marketer of Chinese liquor and is an avid reader of the shopping papers. "We've been exposed to the Western lifestyle now, and we want to enjoy it, too."

These papers avoid the political cant so common in publications here. They include some "service" articles for the modern, upward-climbing urban dweller: how to decorate that small apartment to make it seem bigger, what to do if your mo-

bile phone is dropped into water, what shoes to wear with a white wedding gown, how to buy a car with monthly payments instead of cash.

These tabloids carry cover stories on movie, soccer and rock stars and carry reviews of movies and restaurants and books. But most of all they are a platform for advertising: ads for video compact disk players and notebook computers, for clothes and cosmetics, for apartments and cars, for curtains and lamps and furniture, for exercise bikes and package vacations to Thailand or Europe, even for liposuction and breast enlargement.

Many of the "articles," on close inspection, turn out to have a commercial sponsor.

A gaping generation gap has opened up. Older Chinese who lived through war and the Cultural Revolution of 1966-76 try to save every penny and cannot imagine spending, say, \$60 for a shirt.

"My parents don't want to buy anything," Miss Sang said. "They want me to send most of my salary to them so they can live it for me. They can't understand how I can spend so much in a month."

Miss Sang, who has a degree in English from a prestigious foreign language institute in Beijing, is married to a freelance film editor.

They have what many consider the ideal arrangement, known as "one family, two systems." Through her job in a state enterprise, they get housing and medical benefits and security, if not much income. His private job offers risk but at least the possibility of real money.

They, too, are living with the husband's parents, but they are about to receive, through her government work unit, a two-room apartment with rent that may be less than \$20 a month.

For now, they are spending most

of their combined income of \$725 a month. But their deep hope, Miss Sang said, is to save enough to buy that apartment, which may cost several thousand dollars. Then they want to have a baby.

Miss Sang fights off feelings guilty about their spending; they are not profligate, she feels sure. She describes a couple she knows who run through \$1,200 a month.

The newspapers that cater to today's consumers took their cue from Deng Xiaoping, the late senior leader, who in 1992 unleashed a campaign leading new impetus to what he called "market socialism."

Last year, the first of the papers, *Shopping Guide*, was started. New goods were streaming into the marketplace, and more people had a bit of extra money.

"Producers needed a place to advertise, and consumers needed a place to learn about all the new goods," said the newspaper's editor, Zhao Yimeng, 37. What more logical place than the Ministry of Light Industry — itself a chief producer of consumer items — to establish a new paper devoted to the art of better consuming.

Shopping Guide was swiftly followed by a competitor, *Fine Goods Shopping Guide*, which has since eclipsed it with newsstand sales twice a week of 200,000, double the impressive-enough record of the original.

The newer paper is published, improbably, by an institute of the Chinese Academy of Social Sciences, an academic research center.

It's editor said he was too busy for an interview.

Editors of the stodgy political papers that government offices around the country are required to buy express envy at the readership and profitability of the shopping, entertainment and other lively newspapers that sell out at the newsstands.

In an apparent attempt to whip up some enthusiasm for itself, this past week the Communist Party newspaper, *People's Daily*, began a Monday economics section with financial and consumer news, a Wednesday society section and a Friday culture section. It does not appear likely that many *Shopping Guide* readers will be lured.

Wednesday's section carried the first of two articles on the high price of electricity in rural areas and a feature on the troubles of a heroic woman who was crippled while protecting state-owned sheep in a snowstorm. Friday's culture section described a new television series tracing the life of Zhou Enlai, the former prime minister who died in 1976.

Investor's Asia

		Hong Kong	Singapore	Tokyo
		Hang Seng	Straits Times	Nikkei 225
Exchange	Index	Monday	Prev.	%
Hong Kong	Hang Seng	8,121.06	8,894.64	-8.70
Singapore	Straits Times	1,073.47	1,178.35	-8.75
Sydney	All Ordinaries	2,542.40	2,603.10	-2.33
Tokyo	Nikkei 225	14,664.44	14,955.10	-2.21
Kuala Lumpur	Composite	477.57	481.60	-2.85
Bangkok	SET	399.17	349.67	-3.00
Seoul	Composite Index	468.20	440.70	+3.52
Taipei	Stock Market Index	7,575.14	7,737.20	-4.68
Manila	PSE	1,632.97	1,518.00	+0.95
Jakarta	Composite Index	350.24	342.97	+2.12
Wellington	NZSE-40	2,212.83	2,269.28	-2.49
Bombay	Sensitive Index	3,395.04	3,530.20	-3.83

Source: Telukus

International Herald Tribune

Very briefly:

• BZW Asia Ltd., Barclays PLC's Asian subsidiary, is in shed 75 of its 500 staff in Hong Kong after signing a deal to sell parts of its Asian investment banking and equity businesses to Credit Suisse First Boston for an undisclosed amount.

• Keppel Bank Ltd. and Tat Lee Back Ltd. are to merge, creating a new Singapore bank with assets of more than \$3 billion Singapore dollars (\$1.8 billion). The new bank will be controlled by Keppel and the government of Singapore.

• PT Industri Pesawat Terbang Nusantara, an airplane maker owned by the Indonesian government, has pledged in proceed with its \$2 billion project to build the 130-seat N-2130 passenger jet, despite the fragile economic climate.

• Japanese household spending fell in November for the first time in three months, falling 2.1 percent from the same month a year earlier to 309,236 yen (\$2,342), the Management and Coordination Agency said.

• Four former executives of Dai-Ichi Kangyo Bank Ltd. pleaded guilty to charges they paid off a racketeer who threatened to disrupt shareholders' meetings unless he was paid off.

• Merrill Lynch & Co. of the United States aims to set up a 50-branch retail brokerage unit in Japan that will employ 2,000 people. A spokesman for Merrill Lynch Japan Inc. said it planned to hire employees of Yamaichi Securities Co., the failed Japanese brokerage, and use domestic offices now occupied by Yamaichi.

• WorldCom Inc. is planning a major push into Japan's telecoms market. WorldCom's Japan unit said it is to lay fiber optic cable networks in Tokyo and other big cities. It will launch services after the telecoms sector is deregulated, perhaps around early March.

• Tokyo's average monthly rents for new offices in Tokyo fell 0.8 percent to 15,410 yen (\$117) per *tsubo* (3.3 square meters) in the October-December quarter, according to Ikoma Data Service System Co., a private research company. Ikoma forecasts Tokyo office rents to rise 2 percent in 1998 from the year before.

Reuters, Bloomberg, AP

Hong Kong Fails To Pull Tourists

By Keith B. Richburg
Washington Post Service

HONG KONG — You could call 80-year-old Chan Mok an unfortunate casualty of free market forces.

For 20 years, Mr. Chan has stood outside the Star Ferry terminal with his red rickshaw, an anachronism from Hong Kong's Suzie Wong days that is out of place in a super-modern city with skyscrapers, luxury cars and a sleek subway system.

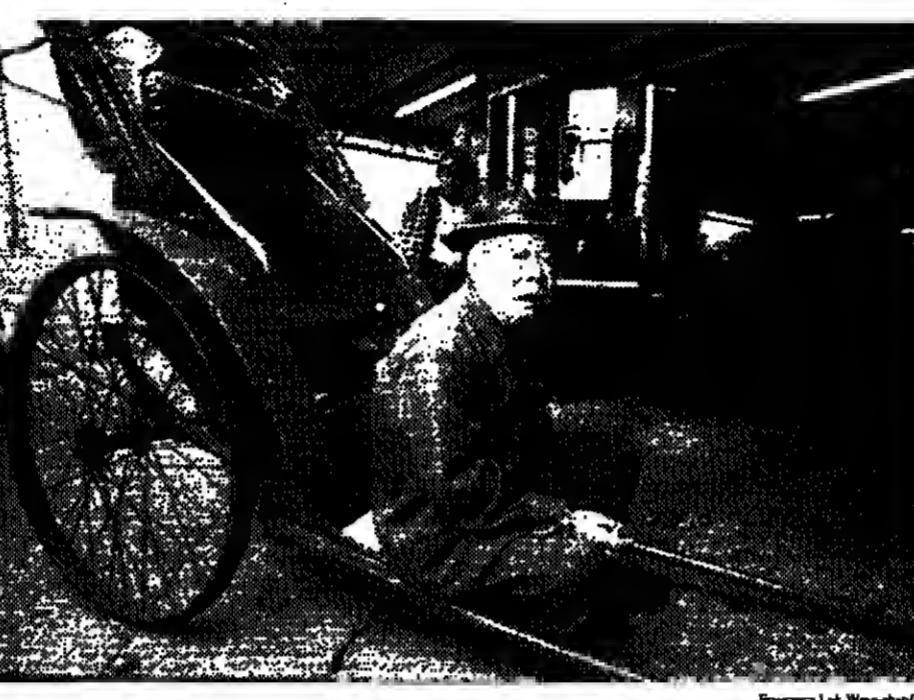
He started at 60, sometimes pulling tourists on a short circular route past the stock-exchange towers, but mostly just posing for the kind of "happy snap" photographs that travelers take home as mementos.

It was a good living, and when tourists were plentiful, he could supplement his meager monthly government pension check with about \$100 each day.

But then the tourism industry went into a tailspin, the victim of the declining regional economy, the Avian flu scare, a wave of currency devaluations across Southeast Asia that have made this the most expensive city in the region, and — perhaps most importantly — what some here call a general burnout on Hong Kong after months of hype over its handover last summer to Chinese rule.

Some 792,892 tourists visited in November last year, a drop of 22 percent from November 1996, continuing a downward monthly trend that began after the July 1 handover. Tourism in 1996 was Hong Kong's largest foreign exchange earner, bringing in \$13.4 billion.

With fewer tourists, Mr. Chan is thinking



Chan Mok, 80, a rickshaw driver for 20 years, is thinking of giving up and retiring to because of the big downturn in tourism. Only eight rickshaw drivers still operate.

what was once for him the unthinkable: giving up his rickshaw and retiring to his native Guangdong Province in southern China.

"I will leave Hong Kong next year because it's very difficult to make a living," Mr. Chan said. "I think maybe in the next one or two years, there will be no rickshaws in Hong Kong."

"Most of us are suffering," said Yeung Yiliu, 71, who has been in the same spot for 40 years, selling inexpensive silk neckties with the likenesses of Bart Simpson, Winnie the Pooh, Sylvester the Cat and other cartoon characters.

"This is the worst in 40 years," she said.

Seoul Rally Is Fueled by IMF Chief

Reuters

SEOUL — The South Korean stock market chalked up a record trading day Monday co hopes that the worst may be over in the country's debt crisis.

Markets were cheered when the Finance Ministry quoted Michael Camdessus, head of the International Monetary Fund, as saying in talks with Finance Minister Lim Chang Yuel in Seoul that South Korea's financial situation had been improving since November.

The ministry statement Monday said Mr. Camdessus had told Mr. Lim that an atmosphere for loan rollovers and support for South Korea had been created in the international financial community.

Mr. Camdessus later told the president-elect, Kim Dae Jung, that the government needed to take the lead and show that it was sharing the pain in order to win the support of labor for the belt-tightening program that accompanied the \$60 billion IMF-led rescue for South Korea, a statement from Mr. Kim's party said.

The president-elect, who is due to take office Feb. 25, had asked Mr. Camdessus to help persuade union leaders to accept layoffs.

One labor organization, the Korean Confederation of Trade Unions, has threatened to organize a nationwide strike if Mr. Kim's government goes ahead with revising laws that make it virtually impossible to lay off workers. Other unions also are opposed to an easing of the law.

Brokers said reports that overseas financial institutions had agreed last week to roll over an estimated \$40 billion in short-term South Korean debt that is coming due by the end of March also had boosted stocks.

Seoul's composite stock index closed up 15.42 points, or 3.5 percent, at 456.20. Volume was a record 113.06 million shares.

The won, which has lost about half of its value over the past year, also perked up, as uneasiness over the debt crisis subsided, although gains were limited by financial turmoil in Indonesia.

Indonesia's Woes Seen Hurting South Korea

Reuters

SEOUL — Indonesia's mounting crisis may have drawn the world spotlight away from South Korea, but there is little cause to celebrate in Seoul.

South Korea has been a major investor in Indonesia, and further problems there would simply feed an unresolved financial debacle at home, analysts say.

Analysts estimated Monday that South Korean banks had at least \$9 billion in outstanding loans to Indonesian clients. South Korean contractors, meanwhile, have an order backlog in Indonesia totaling several billion dollars, while South Korean carmakers are involved in projects there in which they have invested tens of millions of dollars.

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It still totaled about \$9 billion. While the loans were officially classified as performing, Mr. Mok said it was difficult to determine how much of the total was in fact being serviced, adding: "Indonesia has not been so active in making repayments."

Park Joon, head of research at SGST Holdings in Seoul, said the economic meltdown in Asia and a severe downturn at home had already proved catastrophic for the South Korean construction industry.

Further problems in Indonesia would simply make matters worse.

"South Korean construction firms have a backlog of \$3 billion to \$4 billion in Indonesia," Mr. Park said. "If they can't receive a return co their investment, it would greatly aggrate their financial situations."

Judge Thomas Penfield Jackson of the U.S. District Court in Washington ordered the company to come up with a temporary plan for offering PC makers a choice of loading Windows onto their machines with Explorer or without Explorer. A final decision in the case is expected later this year.

Microsoft rivals cheered the December ruling, but it was seen mainly as a moral victory with little impact on the fortunes of the software powerhouse. Because PC makers get Explorer free, few, if any, would choose Windows without Explorer.

Is Microsoft a relentless innovator or a modern monopolist? The current case will not settle that question, but in its thousands of pages of court filings, corporate documents

"Already 200 construction firms went bankrupt in 1997," Mr. Park added, "and the overseas market was the only hope for a revival. If this goes wrong there's no way in compensate. I can't imagine what the final result will be for the construction industry."

He said that if Indonesia were to declare a moratorium, it would affect



RESTORATION

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For more information, call our global Free Phone Service on 800 325 3535 or your travel professional. The Luxury Collection. Sheraton Hotels and Resorts. Four Points Hotels.

EUROPE

French Inflation Rate Falls to 42-Year Low

Compiled by Our Staff From Dispatches

PARIS — France's inflation rate fell to a 42-year low in 1997 and is expected to fall further as competition and deregulation force companies to cut costs and pass savings on to consumers, the national statistics agency said Monday.

The government also said the Asian financial crisis would dampen consumer price inflation this year.

Prices were unchanged in December from November and rose 1.1 percent from December 1996. The slow growth in prices left the average annual inflation rate for 1997 at 1.2 percent — the lowest it has been since it reached 1 percent in 1955, and down from 2 percent in 1996.

Inflation was pulled lower in December by falling energy and food prices and is expected to remain subdued this year as financial and economic turmoil in Asia pulls prices down worldwide. Growing competition in many industries in

Europe, characterized by deregulation and cross-border mergers, high unemployment and weak demand, is also preventing companies from asking consumers to pay more.

The benign outlook for inflation, despite signs of strength in the domestic economy, made it unlikely interest rates would be raised significantly this year, economists said.

They also said while there was a possibility of some price declines this year, fears of a deflationary spiral in prices throughout the economy were overdone.

"It wouldn't take much to tip us over the edge into actual price deflation as far as France is concerned, but while a full in prices is technically deflation, it does not bring with it the problems of the 1930s," said Stuart Thomson, market economist at Credit Agricole Indosuez. "I don't see it as a major problem for Europe."

In an interview with the business daily *La Tribune*, Louis Schweitzer,



MILK PROTEST — Tractors parked Monday north of Rome by dairy farmers who are pressing the Italian government to pick up the tab for their EU fines for exceeding production quotas.

chief executive of Renault SA, said:

"After a period of 40 years of continuous increases in prices, we are entering into a period of continuous declines."

He said Renault had cut 3,850 euros (\$4,625) from the cost of making each car and had halved half of the cost cuts to consumers by including what had been optional equipment in the base price of each car.

Siemens and Motorola Detail Chip Project

Compiled by Our Staff From Dispatches

DRESDEN — Siemens AG and Motorola Inc. said Monday they expected a new joint development center to yield technology that would sharply increase productivity and reduce costs in the production of computer chips in two to three years.

The companies said they would invest 1.5 billion Deutsche marks (\$822.5 million) to develop technology to produce semiconductors on 200-millimeter wafers, instead of the 200-millimeter wafers now in use.

The larger silicon disks would allow a cost reduction of 30 percent and a 25 percent gain in production.

"This represents a huge improve-

ment," said Hector de J. Ruiz, president of Motorola's semiconductor products sector.

The companies plan to test the technology on a pilot manufacturing line in Dresden and then to transfer it to their other chip plants.

The new center is the third chip operation to be built in Dresden in the past four years. In 1995, Siemens opened a plant in the east German city, and Advanced Micro Devices Inc. is building a facility there.

The Siemens-Motorola plant would employ several hundred workers, and spur the creation of hundreds of other jobs at suppliers, service companies and research

firms that are expected to spring up near the new chip plants. The German government will contribute 187 million DM to the project.

Faced with falling memory-chip prices and growing competition from low-cost Asian rivals, semiconductor makers like Siemens and Motorola are increasingly joining forces. Siemens has a joint venture with Toshiba Corp., International Business Machines Corp., and Motorola to develop 256-megabit DRAM memory chips. Siemens and Motorola also are building a \$1.5 billion chip plant in Richmond, Virginia, which is expected to begin production in early 1998.

(Bloomberg, Reuters)

WORLD STOCK MARKETS

Monday, Jan. 12

Prices in local currencies.

Telekurs

High Low Close Prev.

Amsterdam

AETNA Belgium BNP Paribas

Previous: 521.34

BNP Paribas

BASF

Bayer

Bayer AG

ical Stage

Monday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

Although I am a young I am a member of the right and the only party who are sensitive to people's problems and movement. I am a Roman Catholic. I believe in secularism's principles. This country's religious and social groups, I believe, want our society to be separated from the state. I am a member of caste, refugee and other diversities. I am a Hindu. I am a member of Bharatiya Janata Party. Several people supported our government that was formed in May 1996 because they were attacking Muslim. The people will protest against the background against the Indian government. It has already come to my mind to suggest the government to do some efforts to done

1. *Platina Minus*
2. *Platina Major*
3. *Platina Minor*
4. *Platina Aucta*
5. *Platina Tenuissima*
6. *Platina Tenuissima*
7. *Platina Tenuissima*
8. *Platina Tenuissima*

Slow in China

Foreword

In Unrest

NYSE

Monday's 4 P.M. Close

(Continued)

WORLD ROUNDUP

Ronaldo Is Named Player of the Year

SOCCER Ronaldo, a striker who plays for Brazil and Inter Milan, was named 1997 World Player Monday by FIFA, the governing body of world soccer. It was the second successive year he has won the award.

In voting by national team coaches, Ronaldo, 21, was first in 86 of the 121 ballots for a total of 480 points. His compatriot Roberto Carlos, of Real Madrid, was second with 62 points. (AP, Reuters)

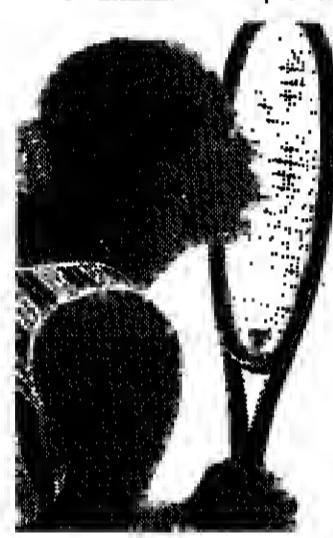
Barcelona Slips Again

SOCCER Barcelona, the Spanish league leader, squandered a two-goal lead in the closing minutes of a match for the second time in six days as it allowed Real Sociedad to gain a 2-2 draw on Sunday.

A week ago, Barcelona let in three goals in the last 11 minutes to lose, 4-3, at Salamanca. On Sunday, Real's Loren scored in the 82nd minute and Javi De Paula shortly before the final whistle.

* Tomislav Ivic, a Croat, has agreed to coach Iran until the end of the World Cup Final in France, Croatian media reported.

Ivic, 63, was quoted as saying: "Nothing has been signed yet, but we have agreed on everything. I will coach the Iranian side for the next six months." (Reuters)



Anna Kournikova testing her racket strings during a break.

Spaniards Fall in Sydney

TELEVISION Three Spanish seeds fell in the first round of the Sydney international tournament Monday.

Carlos Moyà, the No. 3 seed and a finalist last year, lost by 6-7, 6-4, 6-4, to Sweden's Thomas Enqvist in sweltering conditions on center court at White City.

Alex Corretja, seeded No. 5, lost in straight sets to Hendrik Dreckmann, a qualifier from Germany.

Another German, Nicolas Kiefer, eliminated fourth-seed Sergi Bruguera, also in straight sets.

Anna Kournikova, the Russian teenager, made an easy start to her first full year on the professional circuit. Kournikova's first-round opponent, Yanyuk Basuki of Indonesia, withdrew injured during the second set of their match.

Kournikova struggled at the start and fell behind 1-4. She rallied to win the next five games and take the set, 6-4, and was leading 3-0, in the second when Basuki succumbed to a back strain. (Reuters)

The Colts Hire Mora

FOOTBALL Jim Mora, who had spent his entire National Football League coaching career with the New Orleans Saints, was named coach of the Indianapolis Colts on Monday. Mora, 62, succeeds Lindy Infante, who was fired after the Colts finished a league-worst 3-13.

Mora was head coach of the Saints from 1986-96 and compiled a 93-78 record, but resigned after a 2-6 start in 1996. He spent two years as a TV commentator. It is the first major move by Bill Polian, who became general manager of the Colts last month. (AP)

Champion Packers to Face Broncos in Super Bowl**Green Bay Tramples San Francisco in the Mud**

By Mike Freeman
New York Times Service

SAN FRANCISCO — If the Green Bay home field advantage is the crunchy chill of a Wisconsin winter, then San Francisco's is El Niño.

It rained all day Sunday and the 49ers park was like a muddy sandbox. The 49ers believed that knowing how to run and cut in mud would be as much of an advantage as being eliminated to minus-10 degrees. At least, that's what they kept telling themselves.

That was theory, this is reality: the Packers are going to Super Bowl XXXII to play the Denver Broncos and defend their title because they are a great team, and they can play anywhere, anytime.

Their 23-10 victory in driving rain and on slippery turf was their fourth consecutive victory over San Francisco — the third in postseason.

And while the score may not show it,

Green Bay dominated the 49ers behind another pinpoint passing performance by Brett Favre, the receiving of Antonio Freeman and dominating defense and special teams that pinned the 49ers all afternoon. San Francisco's average starting position was inside their own 15-yard line.

Using a variety of schemes, formations and blitz packages, Green Bay held San Francisco to just 257 total yards and 33 yards rushing. Their only points came on Gary Anderson's 28-yard field goal and a 95-yard kickoff return by Chuck Levy when the game was out of hand.

There were more connections between these two clubs than a family reunion.

Steve Mariucci, the San Francisco coach, was the former quarterbacks coach with the Packers and is close friends with Favre, who gave him a consoling hug after the game. Holmgren, born in San Francisco and still part owner of several restaurants in town, was a former offensive coordinator for the team.

All week, both teams talked about how

much they respected one another. Then the game began and, as is custom, both teams tried to pummel one another.

The 49ers began with a distinct disadvantage. Tight end Brent Jones took pinballing shots before the game for an injured calf. When teams blitz Young, Jones helps to take off the pressure by acting as a safety valve. San Francisco's plan was to use him heavily.

Since Jones played hurt, the 49ers' passing game never kicked into gear. Young was sharp, completing his first 10 passes but a rhythm was missing. Then on his 11th pass, disaster struck.

On third down at the Green Bay 28, Young tried to go to a hobbly Jones, covered tight by Robinson. Young's pass, a bad decision, was intercepted by Robinson, who returned it 58 yards deep into 49ers territory.

Offensively, the Packers continued to be able to move the ball in delicious chunks.

Favre caught another deep ball, this one for 40 yards with 3 seconds left in the half. The play let the Packers get a field goal before halftime.

In the first half of its last two postseason games against San Francisco, the Packers outscored the 49ers, 55-13. The Packers' game plan this year was simple — go deep, deep, deep. It worked.

Last Stand in a 'Great Career'

By Richard Justice
Washington Post Service

SAN FRANCISCO — Tight end Brent Jones wept as he walked off the field at 3Com Park for the final time as a member of the San Francisco 49ers. Jones finished a brilliant 12-year career Sunday, having loog since established himself as one of the NFL's best at his position.

Now 34, he announced his retirement several weeks ago, saying the time had come to face the reality of age and injuries.

As San Francisco lost to Green Bay in the National Football Conference championship game, Jones certainly wasn't the only 49er taking off his uniform for the final time.

While playoff losses hit every team hard, that is especially true for the 49ers, who begin each season expecting nothing less than a championship.

With the NFL's oldest roster and a payroll \$17 million over the projected 1998 salary cap, the 49ers know that others may follow Jones before the start of training camp.

Center Jessie Sapolu, linebacker Gary Plummer, cornerback Rod Woodson and others do know their status for 1998. Even quarterback Steve Young is 36 and running out of tomorrow.

Jones paid a high price to play in his final game. He pulled a calf muscle in practice Friday and took at least five pinballing injections to feel good enough to get on the field.

But he did get on the field, and in his final game, caught one pass for 12 yards. "It's tough to realize that it's your last game," Jones said. "Guys from both teams were coming up to me after the game saying, 'Good game and great career.' I kind of lost it a little. I'm going to miss it a lot."



Antonio Freeman of the Packers gathering in a pass for a 33-yard gain.

Stewart Gets a Lesson From 'The Man'**Vantage Point / JENNIFER FREY**

PITTSBURGH — Kordell Stewart has always wanted to be like John Elway. He worships the Denver quarterback, and when he refers to him as "The Man" — which he does often — there is an undeniable level of respect in his voice.

Elway finds this flattering. He has seen Stewart show great scrambling ability under pressure. He has seen him complete some almost inconceivable passes. And he has seen the 25-year-old Steeler quarterback, a player he has affectionately referred to as "The Kid," engineer a few comeback drives that can honestly be described as Elway-esque.

"He reminds me of myself," Elway said. "A long time ago."

There is one very important thing, though, that the 37-year-old Elway possesses and Stewart still doesn't: experience. And that made all the difference when the two men in the AFC championship game at Three Rivers Stadium Sunday afternoon.

Stewart made mistakes. He made mistakes that young players have been known to make in big games like this one. He threw into double coverage. He was too aggressive. He was intercepted three times, twice in situations that dramatically affected the game. Elway, meanwhile, was composed, as always. He converted a third-and-6 play in the closing minutes to seal the victory for the Broncos.

"You take chances," Stewart said later, after the Broncos had their 24-21 victory. "I can sit up here and say, 'How in the Sam Hill can I throw that pass, can I throw those interceptions?' But I'm not going to sit here and lose my hair. It happened."

"You take chances," Elway said earlier, after the Broncos had their 24-21 victory. "I can sit up here and say, 'How in the Sam Hill can I throw that pass, can I throw those interceptions?' But I'm not going to sit here and lose my hair. It happened."

The first interception — and the most devastating decision Stewart made in this game — came on second and 2 with the Steelers on the Denver 35-yard line. There were fewer than five minutes left in the first half, and Pittsburgh was leading, 14-10, in part because of a beautiful 33-yard touchdown run by Stewart.

The Steelers decided to take a gamble and go long. Yancey Thigpen went to the end zone. The opening wasn't there. Thigpen was in double coverage. Stewart threw anyway. Ray Crockett intercepted, and before the half expired Elway got the Broncos into the end zone twice for a 24-14 lead. The momentum had swung.

The third interception (the second in the closing seconds of the first half) was just as ugly. Again, it was second down. The Steelers were five yards from the end zone with an opportunity to cut the Broncos' lead to three points. Denver pounced on the pressure. Stewart panicked. This time, there were three Broncos jerseys steps away from Charles Johnson's spot in the end zone. Again, Stewart threw anyway. Allen Aldridge got the pick.

The Steelers closed ranks after this game, defending their young quarterback with as much heart and vigor as they could muster. After all, they said, the Steelers never would have come this far, this fast, if Stewart hadn't proven to be an unbelievably quick study at his position. Thigpen vehemently insisted that it would be "unfair to blame the loss on Kordell."

Coach Bill Cowher talked about the future as much as the game that had just passed. "He'll grow," Cowher said. "There are things that come with time and experience. This is off on Kordell Stewart. This is not about him. Hey, we still had our opportunities."

They had opportunities because, in one noteworthy respect, Stewart played this game the way Elway plays football — he refused to believe that he could not stage a comeback, no matter how little time remained, or how large the lead. He put together a 79-yard touchdown drive in less than three minutes in the late stages of the fourth quarter, connecting on seven of eight passes and scrambling for nine yards. That got the Steelers within a field goal of the Broncos.

"You think we're going to have a chance," Stewart said of that moment.

Stewart wanted to be the last-minute miracle man, but that title still belongs to Elway, and in case anyone doubted that, he proved it again. The third-and-5 play that Elway converted came right after the two-minute warning. Forced to think on his feet, Elway turned to Shannon Sharpe in the huddle and said: "Get open. I'll pivot." Sharpe looked at him like he was insane.

"We don't have that play," Sharpe said to Elway.

"We do now," Elway replied.

Sharpe simply nodded and did what he was told. Seconds later, Elway hit him with an unscripted 18-yard pass. For all intents and purposes, the game was over. Elway had done it again.

"If I had played my best game, we would have won," Stewart said. "Elway — well, John obviously went out there and played a great game."

SCOREBOARD**BASKETBALL****NBA STANDINGS****EASTERN CONFERENCE****ATLANTIC DIVISION****W L Pct****Golden State****7 11 .476****Atlanta****22 11 .571****New Jersey****19 12 .591****Orlando****19 19 .500****Boston****6 18 .471****Philadelphia****9 23 .391****CENTRAL DIVISION****W L Pct****Chicago****23 11 .636****Indiana****22 12 .647****Atlanta****17 15 .571****Cleveland****20 12 .666****Detroit****17 19 .457****Milwaukee****16 19 .500****Toronto****5 10 .393****WESTERN CONFERENCE****W L Pct****Los Angeles****15 27 .350****Seattle****22 27 .417****Phoenix****19 21 .471****San Antonio****18 14 .529****Vancouver****12 21 .401****PACIFIC DIVISION****W L T Pct****Portland****29 7 .805****L.A. Lakers****27 9 .759****Phoenix****22 10 .714****Seattle****19 15 .597**

ART BUCHWALD

Defense Motions

WASHINGTON — Not all lawyers are making a bundle. Several hundred criminal defense lawyers in Maryland are fishing for new business by sending mailings to people wanted by the police. Some of the suspects get solicitations from the lawyers before they get arrested by the law.

The lawyers get the ad. Buchwald dresses by hiring a company to search in computerized lists for arrest notices. The law firms then send the suspects a letter offering their services.

According to Phillip Pan and Katherine Shave, reporters for The Washington Post, which makes this story believable, Prince Georges County has documented cases this year of legal solicitation of people accused of violent crimes.

In Maryland the lists of people are public, but sometimes the suspects do not know a warrant is out for their arrest.

The lawyers must make their letters believable and appealing. Here are a couple that might attract some business:

Dear Louie,

We understand that you are on the 10 Most Wanted List in Maryland for robbing three banks and the payroll of the Annapolis Naval Academy. This case is right up our alley. Before you hire an inept lawyer, come to Skul, Skul and Bones. We can plea-bargain you down to driving with an expired license and throwing trash on the tracks of the Baltimore railroad station.

Our successful cases speak

for themselves. Three Fingers Muldoon, who wiped out 12 members of the Lucchesi gang, is now doing community service at the Baltimore Orioles baseball park. Dean Quick, who stole \$20 million from the Maryland Crabcake Foundation, was defended by us, and after we made our case Dean was given a Life Achievement Award by the Chesapeake Bay Hall of Fame.

The charges against you are serious, Louie. That is why we have enclosed a self-addressed envelope. Let us make 1998 a year when justice for you was served.

Hiding out in Rio de Janeiro with two girlfriends is only a temporary answer to your problem.

Sincerely,
Harry Skul

Dear Mr. Holster,

Congratulations on embezzling \$3 million from your health insurance company. Apparently the district attorney has decided to prosecute you, and you will need all the defense you can get. Our strategy, if you let us represent you, is that you were taking Prozac and didn't know what you were doing.

We believe with the right jury we can get you off without doing any time and, at the worst, reduce your fine to \$10,000.

Our firm specializes in representing people wrongly or rightly accused of stealing other people's money.

If you take advantage of our winter sale we will throw in the first 25 hours free. Call us now before you get indicted. You possibly did wrong, but the power-grubbing prosecutors have to prove it.

Cheers,
Charley Bones
Harvard, 1979

Heirs Claim Art Lost to Nazis in Amsterdam

By Alan Riding
New York Times Service

AMSTERDAM — Jacques Goudstikker, a leading art dealer in prewar Amsterdam, was one of many wealthy Jewish collectors whose artworks were seized by Nazi Germany in the early 1940s. But unlike, say, the Rothschilds and David-Weills of France, who recovered most of their belongings after the war, Goudstikker's collection was never reconstituted. By the mid-1950s, it was as if he had never existed.

After the revelations of Switzerland's secret retention of Nazi gold, interest has been stirred throughout Europe and the United States in the destiny of other Jewish property seized by the Nazis, including two paintings by the Austrian Expressionist Egon Schiele that have been detained in New York.

Now questions are being asked here about the whereabouts of the valuable Goudstikker collection. And the answers are proving embarrassing. Most of the paintings disappeared, and the rest hang in Dutch museums.

Still more disconcerting to many Dutch, Goudstikker's heirs have discovered that locating artworks taken by the Nazis is no guarantee of repossession. The Dutch government has rejected the claim — and even an offer of a settlement — by the heirs, arguing that it alone is the rightful owner of the collection. And now the heirs are going to court to try to recover their lost legacy. A solution may be years away.

For other Jewish families looking for missing artwork, the Goudstikker case serves as a warning of legal obstacles that lie ahead. Some pieces lost in this diaspora were hastily sold by their Jewish owners, and many confiscated artworks were sold by the Nazis or were later seized by the Soviet Army. Jewish heirs can expect to find museums, governments, reluctant to surrender paintings bought on the open market or, in Moscow's case, seized as war booty.

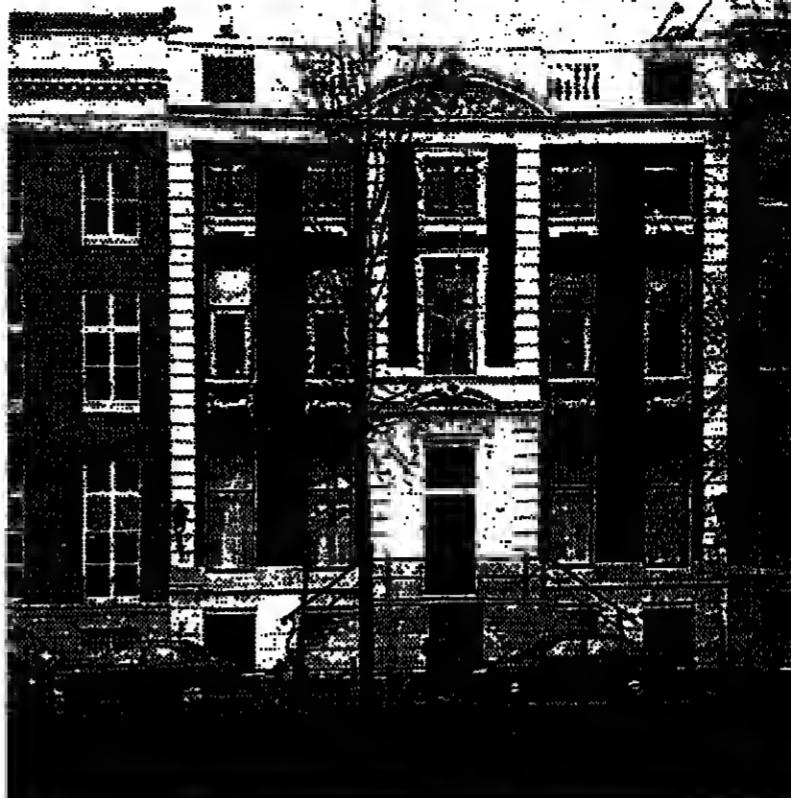
In the dispute over the ownership of the two paintings by Schiele, which were part of a major exhibition at the Museum of Modern Art in New York, the heirs to the prewar Jewish owners are demanding their return from an Austrian government-financed museum that claims them.

Among such disputes, the Goudstikker case in the Netherlands is typically complex, yet it stands out, not for what happened during the war, but after the Allied victory, not because the collection was coveted by none other than Hermann Goering, Hitler's air force chief and an avid art collector, but because of the response of Dutch authorities in the late 1940s and early '50s, and again today.

Goudstikker was carrying little more than a black book detailing his gallery's fine collection of Old Masters and other artworks when he fled Amsterdam on the night of May 14, 1940. With Nazi forces sweeping north through the Netherlands, he, his wife and their 3-year-old son took one of the last ships to leave for Britain before German troops occupied the Dutch coast.

Had he survived, he would have been glad that he fled: during the next five years, 75 percent of the 140,000 Jews remaining in the Netherlands died in Nazi camps. But just 24 hours after leaving Amsterdam, as he walked the blacked-out deck of the S.S. Bodegraven, the 42-year-old dealer fell into an open hold and died. He was buried in Britain, and his 28-year-old widow, Desiree, and son, Edward, took refuge in the United States.

Goudstikker's collection, which comprised 1,208 paintings, including works by Rembrandt, Goya and Giotto, was soon dispersed. On July 13, 1940, Goering bought 779 paintings, albeit keeping only the best of these for his private museum, Carinhall.



The Amsterdam building where Jacques Goudstikker had his art gallery.

His German agent, Alois Miedl, dropped her claim to the paintings. In the decades that followed, Jacques Goudstikker's name faded into the past. His mother, Emily Goudstikker-Sellberger, who survived the German occupation of the Netherlands, died in 1954.

Desiree and Edward took the surname of her second husband, August E.D. von Saher, and all are now dead. Today, 160 of Goudstikker's paintings hang in 17 Dutch museums without any reference to their provenance. (Another 120 to 150 paintings of lesser quality were auctioned off by the government after 1949.)

Then, early last summer, with a new generation of historians and journalists probing the past in the wake of the reports of the Nazi gold,

Gerard Aalders, a researcher at the Netherlands National War Documentation Institute, pointed out "oddities" in the Goudstikker case to a Dutch reporter, Pieter den Hollander, of the daily *Algemeen Dagblad*. Den Hollander began his own investigation and was soon convinced that an injustice had been done. He tracked down Goudstikker's heir, Eduard van Saher's widow, Marcia, in Greenwich, Connecticut, and briefed her.

For Mrs. von Saher, 53, and her two daughters, Chantal and Charlene, it was a revelation: Eduard van Saher and his mother had rarely mentioned the Goudstikker legacy. But the evidence seemed persuasive.

Den Hollander's news articles on the subject also awakened public interest here. Finally, in October, Mrs. von Saher contacted the Dutch government to obtain some financial compensation and recognition of Goudstikker's role as a collector. In November, she was rebuffed.

"I still have no intention of taking the paintings out of the museums," she said during a recent visit to Amsterdam, where she saw seven paintings from the Goudstikker collection in the Rijksmuseum. "But people don't know they belonged to Jacques Goudstikker. Perhaps there should be a special museum or room with all his paintings so he can be given some credit. And I think that somewhere along the line there should be some compensation."

At the heart of the court case is the question of whether bureaucratic and judicial decisions made during or immediately after the war can pass the test of time. "Seen through today's eyes, was what was done moral or immoral?" she asked. "I think people are looking at things differently today."

BOOKS

Zoe Valdes on the Paradise of Nothing

By Larry Rohter
New York Times Service

Miami — Five years ago, when she was still living in Havana and working at a magazine that had ceased publishing because there was no longer paper to print it, Zoe Valdes mentioned to a friend that with so much time on her hands, she was writing a novel. The title, she told him, was "La Nada Cotidiana" — a literal translation of which might be "The Nothingness of Daily Life."

"If you're going to call it that, I don't even want to bother to read it," she recalls her friend saying. "With that title, it will never see the light of day."

But Valdes persisted; when she finished, one copy of her manuscript was smuggled out of Cuba on a raft heading for Miami, another by a French journalist returning to Paris.

The author herself left for France early in 1995, and in short order the novel was not only published in Spanish and French under the title she had chosen, but also, to her surprise and delight, became a best-seller in both languages.

Recently published in English as "Yocandria in the Paradise of Nada," Valdes's novel begins with the words, "She comes from an island that had wanted to build paradise," and goes on to paint a devastating portrait of life in Cuba during "the special period."

That is the official euphemism for the regimen of austerity and privation that followed the collapse of the Soviet bloc in 1989 and that still frames the lives of a generation of disillusioned Cubans. Valdes's generation, who were raised to be model revolutionaries.

Like Valdes, Yocandria, the heroine of the book, was born on May 2, 1959, during the initial euphoria that followed Fidel Castro's rise to power.

She also works at a magazine that has stopped publishing, and watches bitterly as her friends depart Cuba aboard flimsy rafts or through opportunistic marriages to foreigners, leaving her to scrounge for food and pooper her fate in a decaying apartment building in Old Havana.

"I was born asphyxiated, and I still lack air to breathe," Yocandria muses at one juncture. Cuba, she reflects at another point, is a country of countless "meetings, general assemblies, popular assemblies, at which the same old idiocy is always discussed."

It is a country in which there is a shortage even of shame, because "how can you have shame if there isn't any deodorant, nor even a sweet potato or any tenderness."

"This was a book written out of rage and anger and pain," Valdes said in an interview during a recent visit here from Paris, where she now lives with her husband and young daughter.

She was participating in the Miami Book Fair and visiting relatives and friends. "I was writing during the worst moment in the history of Cuba, and when I read it now I still feel that same pain."

But it is not only the political content of Valdes's writing that has enraged the Cuban authorities and led to a de facto



Author Valdes portrays Cuba in that "special period" of austerity.

ban on her entire body of work, which includes novels, poetry and short stories. Using the slang and cadences of the Havana streets, she also writes with a frankness about sexual matters that, by the strait-laced standards of the Cuban Revolution, is considered politically unacceptable for an educated woman.

It is tempting, Valdes acknowledged, to blame traditional Latin American machismo for the negative official response to those passages. But she argues that a totalitarian state system, a suspicion and intolerance of any activity beyond official control, is a more pernicious explanation.

"In Cuba, the sexual act, the moment of orgasm, is the only time that one is truly free," she maintains.

Her emphasis on the interior life of characters, especially their sexual experiences, has led more than one Spanish-language critic to describe Valdes as "our Anaïs Nin," a comparison that she said "honors me."

But that same characteristic has also given the Cuban government a weapon to alienate her from exiles who share her disdain for Castro and might otherwise be attracted to her fiction.

Even though her formal connections with Cuba have been all but severed, Valdes continues to cultivate a Cuban ambience around her. She has held on to her *libreta*, the radio book supplied to all Cubans, and in the writing room of her apartment in Paris the walls are adorned with Roman Catholic images of St. Lazarus and the Virgin Mary that are also important in santeria.

Some Cuban exiles are even more conservative on moral issues than their counterparts on the island and take offense at her graphic, rapturous descriptions of sex and lovemaking.

Alejandro Armentol, a critic for El Nuevo Herald, a Miami newspaper, dismissed Valdes last year as "the Madonna of Cuban literature, with an equal capacity to transform self-assur-

ance and the grotesque into spectacle, to show vulgarity and eroticism stripped of any mystery." Her novels, he said, are reek of "opportunism" and "uncouth prose" and are aimed chiefly at "Europeans in search of the exotic" and "collectors of decadence the world over."

In response, Valdes said: "Look, literature is subversive in any society, capable of provoking insults and controversy, but it is not my intent to scandalize. It's just that sensuality is essential to Cuban culture. It's in our music, it's in the way we talk, in the way we walk in the street, even in the way we eat and in our palate, with our liking for food that is sweet and salty."

Since the appearance of "La Nada Cotidiana," Valdes has enhanced her reputation as a picaresque writer with the publication in Europe and Latin America of four more novels. The most successful has been "Te Di la Vida Entera," or "I Gave You My Whole Life," a portrait of the Havana demimonde in the years before the Revolution; the most recent, "Café Nostalgia," is a study of the lives and loves of a group of cosmopolitan young Cubans scattered all around the world.

They are always talking about the crude Zoe Valdes, the crude Zoe Valdes," she explained. "In that way, the Cuban state can discredit me."

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